

EUROPEAN NEWS

FRENCH PRESIDENT CONCLUDES MOSCOW VISIT

Mitterrand believes summit likely

BY PATRICK COCKBURN IN MOSCOW

OBSTACLES REMAIN to a summit meeting between Mr Mikhail Gorbachev and President Ronald Reagan...



Mr Mitterrand (left) bids goodbye to Mr Gorbachev and his wife Raisa at the end of his visit yesterday.

The US for saying it would abandon SALT II...

Dr David Owen, leader of Britain's Social Democrats...

US reveals locations of chemical arms stores

US reveals locations of chemical arms stores

By William Duffin in Geneva

THE US yesterday disclosed the locations of all its chemical weapons storage sites in the US and suggested that the Soviet Union should also start being candid about its stockpiles.

The move was intended to accelerate work towards a convention banning chemical weapons in the 42-nation UN conference on disarmament.

Declaration of existing stockpiles and plants for manufacturing chemical weapons is one of four major issues on which the US has set out its proposals.

Mr Barthelme circulated at the conference yesterday the programme for stockpile disposal prepared by the US army...

Confidence in the process leading to a chemical weapons ban would be helped if the Soviet Union...

But in a conciliatory passage he recognised that at this stage of the negotiations...

Progress on tax evasion accord

An international convention to help fight tax evasion moved a step closer to becoming law yesterday...

Portugal raises capital requirements for banks

General Bank of Belgium are also obliged to meet the new figure.

Warrant issued in aid funds scandal

A Paris judge has issued an international arrest warrant against Yves Châlier...

Olympic Airways pilots penalised

Property worth \$300,000 belonging to 15 Olympic Airways pilots and flight engineers...

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Tim Dickson describes how the deal was done Community conjours up a budget at last

"YOU DON'T need to know anything about budgets," the Court upheld the members' states' complaint but effectively knocked the two sides' heads together by telling them to get back to the negotiating table and settle their relatively minor differences.

With the prospect of the Community running out of money completely as MEPs and EEC officials prepared for their summer holidays...

For many at least, his observation seemed an appropriate commentary on a lengthy session of backroom bargaining which effectively paved the way for yesterday's long overdue settlement of the Community's 1986 budget.

By EEC standards, of course, the nine hours of negotiations represented a relatively short sprint compared with the 23 earlier years when the Community budget was decided.

But while the Community may not have set a new record in red eyes and crumpled pin-stripes, there were many yesterday who felt that the budgetary authorities had reached new levels of financial manipulation.

Opinion inevitably was divided yesterday as to who had won. "A victory for common sense," Mr Peter Brooke, Britain's Minister of State at the Treasury and president of the Budget Council...

The British Government would like to breathe a sigh of relief that its six-month term in the EEC presidency has not been disrupted at the outset by financial crisis.

The key device—and the one which presumably inspired Mr Tomlinson's verbal flourish—was the creation for the 1986 budget purposes of a "negative reserve" of Ecu 150m, immediately nicknamed the "black hole."

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France decides not to build neutron bomb

BY DAVID HOUSEGO AT SUIPPES MILITARY CAMP

THE FRENCH Government has decided against producing the controversial neutron bomb—the tactical nuclear weapon which can be used on the battlefield to halt an armoured advance by killing people without damaging equipment or buildings.

The decision marks a reversal of the pre-electoral commitments of Mr Jacques Chirac's right-wing alliance which specifically said in its election manifesto that funds would be made available for building an "enhanced radiation weapon" as part of the strengthening of France's deterrence forces.

The manifest described the development of a neutron bomb as a "priority project" for the 1987 budget.

LONDON FT-SE 100 would also seem to have been a high priority for the government.

TOKYO Nikkei 225 had a record day yesterday, rising 1,100 points to a record high of 21,850.

AUSTRIAN attempts to disrupt the oil market by cutting off supplies from the Soviet Union...

Spain puts US bases proposals

SPANISH NEGOTIATORS yesterday outlined talks here proposed cuts in the number of US military personnel stationed at joint bases in Spain.

The proposals are in line with a policy package for Spain contained in the referendum in March.

The Madrid talks, which follow on a commitment obtained last December from the US to discuss a phased troop reduction...

No reductions are believed to be sought at Morón near Seville, which is primarily a communications centre...

The US position, as outlined last December, is that the negotiated cuts hinge on Spain's commitment and capacity to substitute the missions currently carried out by the US forces in Spain.

A potential stumbling block that Spain, under the Nato referendum policy package, will continue to be outside the alliance's integrated military command.

While this remains the case the Spanish forces are unable to meet the condition of replacing those of the US within the alliance framework.

Police collaborate on bomb cases

FRENCH INVESTIGATORS hunting bombers who struck the offices of a special police squad in Paris on Wednesday are working with West German authorities investigating a terrorist attack that occurred the same day...

Mr Charles Pasqua, Interior Minister, told reporters that while those investigating the Paris explosion did not favour any particular theory, "one cannot fail to make the parallel with the attack in Munich."

Mr Chirac presided over a ministerial gathering on defence at the Suippes camp yesterday before watching army exercises.

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W German regions want more cheap money from Bundesbank

BY JONATHAN CARR IN FRANKFURT

A HIGHLY unusual squall has blown up between the West German Bundesbank, the independent central bank, and the regional states...

The Bundesbank president, Mr Karl Otto Poehl, has accused the Laender of launching an attack by the back door.

At stake is the Kassenscheck—the cash advances which the Bundesbank makes to the regional states to help them bridge short-term liquidity shortages.

The latter have now made clear to the shocked central bankers that they want a rise in their credit ceiling of no less than 150 per cent to DM 6.5bn.

Moreover, they are taking legislative action via the Bundesrat, the upper house of the federal Parliament...

Under the Kassenscheck system, the federal Government and the states get their money from the Bundesbank at the discount rate...

For example, the discount rate is currently 3.5 per cent whereas day-to-day money from the banks costs around 1 per cent more.

A few years ago the discrepancy was much more marked with the discount at 7.5 per cent and day-to-day money rates at 20 per cent.

The system thus helps the public sector borrowers relatively cheaply over liquid

bottlenecks without exposing them to the imponderables of the money market.

The Laender complain that their budget volume has long been rising faster than that of the federal Government...

What happens next? The Laender have no signs of giving way.

But Mr Poehl still has a trick up his sleeve.

The Laender are only interested in the credit ceiling because they obtain it at the low discount rate—but the central bank is not obliged to make the loans at that rate.

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Ruiz-Mateos goes back to jail

BY TOM BURNS IN MADRID

THE FORMER chairman of the Rumasa banking and business holding, Mr Jose Maria Ruiz-Mateos, returned to a maximum security jail outside Madrid yesterday accompanied by the customary blizzard of publicity that has dogged his steps ever since his financial empire was expropriated by the Government three years ago.

Mr Ruiz-Mateos was extradited back to Spain from West Germany last November, imprisoned and then remanded under house arrest in his luxurious Madrid mansion in January.

Before police arrived to return him to jail, Mr Ruiz-Mateos gave a well attended news conference by the swimming pool of his home during which he reiterated a series of charges against politicians, former business partners and the Catholic organization Opus Dei of which he is a member.

Norway unveils plans to ease petroleum taxes

BY FLEMING DAHL IN OSLO

NORWAY'S GOVERNMENT yesterday proposed changes in the petroleum taxation system in an attempt to secure continued exploration and development on the Norwegian continental shelf following the plunge in oil prices.

One of the changes proposed is that royalties would be reduced to zero for future oil and gas fields.

Another change would be that depreciation could start in the first year of investment, whereas at present a field must first be on stream.

Foreign companies in future would no longer have to pay exploration costs for Statoil, the state oil company.

Mr Odd Einar Fossvik, spokesman for the oil industry association, which groups 15 Norwegian and foreign companies, called the proposal "a step in the right direction, but it is insufficient as an incentive for new activities."

The Government's main concern, according to the Minister of Oil and Energy, Mr Arne Oeien, has been to stimulate future exploration and development, while at the same time seeking to maintain revenues from existing production.

The oil companies have worked under the present taxation system since 1969, when oil prices were around \$40 a barrel.

The Government said the proposed changes would be discussed with the oil companies during the summer and that a new system would be made effective from the beginning of next year.

General Bank of Belgium are also obliged to meet the new figure.

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Hijackers given life sentences

AN ITALIAN court yesterday sentenced three Palestinian guerrilla leader Abu Abbas, to life imprisonment for their part in the hijacking of the Chilean Learjet cruise liner last year, Reuter reports from Genoa.

Neither Abbas, who was freed by the Italian authorities after the hijack, nor two of his close associates, who were also given life sentences, is a custody risk.

The court sentenced three captured hijackers to jail terms ranging from 15 to 30 years. The sentences are considered heavy for the hijacking.

Abbas and his two associates, Ozzudin Badran and Ziad El-Omar, were found guilty of organising the two-day hijack in waters off Egypt last October.

A sentence of 24 years and two months was imposed on a hijacker, Ibrahim Dajani, and 20 years on another hijacker in court.

The prosecution had demanded seven life sentences, from three to 12 years for the rest of the 15 defendants.

Two accomplices of the hijacker, Mohammed Issa Abbas and Said Gaudure, the only other defendants in custody, were given sentences of six months and eight months. The court ordered that Gaudure be freed immediately.

A French court today sentenced suspected guerrilla leader Georges Ibrahim Abdallah to four years in prison on arms charges, Reuter reports from Lyon.

Abdallah (35), who is also known as Abdel-Kader Saadi, was tried here under heavy police security on charges of illegal possession of arms, explosives and false identity papers.

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OVERSEAS NEWS

S Africa unions call for day of action against detentions

BY ANTHONY ROBINSON IN JOHANNESBURG
DESPITE THE warnings by police of the day of action meeting in the city...

Alain Cass, Asia Editor, reports on Vietnam's prospects after the death of Le Duan
Hanoi's old men consider economic reform

THE DEATH of Le Duan yesterday, the man who led Vietnam for the past 17 years and who masterminded the victory against the Americans...

approved the Soviet-backed invasion of Kampuchea in 1979 and the stationing of 40,000 Vietnamese troops in Laos to complete Hanoi's mastery of Indochina.



Le Duan: unyielding

main aims are likely to be pursuing economic reform, negotiating an agreement over Kampuchea to end Vietnam's isolation and decreasing the country's growing dependence on the Soviet Union...

production is close to self-sufficiency and there is a greater availability of consumer goods. But the reforms have also brought raging inflation and greater inequalities leading to fierce ideological debates.

Hawke wins party vote on wage restraint

By Emilia Taggza in Canberra
MR BOB HAWKE, the Australian Prime Minister, yesterday won support for his call for further wage restraint...

Open politics to blacks, urges business leader

BY BERNARD SIMON IN JOHANNESBURG
THE South African Government should abandon its piecemeal approach to political reform and create openings for blacks to take part directly in the political process...



Mr Lange: "If we took a poll of dairy farmers on the spy agreement, I know what the result would be."

Lange says trade more vital than spies' fate

BY DAI HAYWARD IN WELLINGTON
MR DAVID LANGE, the New Zealand Prime Minister, yesterday defended his Government's decision to hand over to the French authorities the two agents jailed for their part in the sinking of the Greenpeace boat Rainbow Warrior...

two agents, Maj Alain Mafart and Capt Dominique Prieux, are to be transferred to the Pacific island of Hao, which serves as a staging post for the French nuclear testing ground at Mururoa...

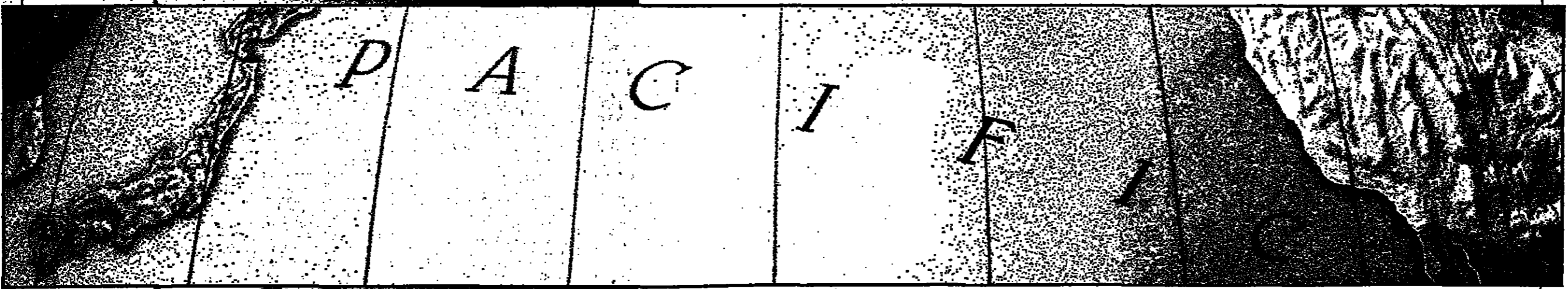
Mr Lange said he was confident that interest rates and inflation would continue to fall. The drop in the inflation rate from 17.5 per cent to around 10 per cent in just over a year was evidence that his Government's economic policies were working.

The Government would not intervene to manipulate exchange rates despite exports being hit by the strength of the New Zealand dollar and heavy pressure from farmers and manufacturers.

Israeli nurses' strike beaten

By Andrew Whitley in Jerusalem
A bitter, 17-day strike by Israeli nurses ended yesterday in a crushing victory for the coalition National Unity Government...

A BANK WHICH SPANS THE LENGTH AND BREADTH OF THE WORLD'S MOST DYNAMIC REGION.



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AMERICAN NEWS

US print union may merge with telecom workers

BY WILLIAM HALL IN NEW YORK

THE INTERNATIONAL Typographical Union (ITU), the oldest union in the US and once one of the most powerful, has tentatively agreed to merge with the Communications Workers of America (CWA), which represents 650,000 workers in the telecommunications industry.

Differentials in growth 'threaten to split' US

ECONOMIC GROWTH patterns in the past five years threaten to split the US into a nation of relatively well-off coastal dwellers and a disadvantaged hinterland, according to a new Congressional study, AP reports from Washington.

Growth over the nation as a whole has been sluggish in recent years, but these living in California and in the East Coast states would hardly have noticed, according to the analysis by the Joint Economic Committee, which was released yesterday.

Canute James on why foreign currency dealers have replaced the Central Bank Traders provide a cash lifeline in Guyana

AMERICA STREET, downtown Georgetown, and not the nearby central bank, is the financial centre of this economically embattled country. Here a thriving parallel market in hard currency determines how Guyana meets its basic needs from week to week.



economic pillars. According to Mr Harold Davies, chairman of the state-owned Guyana Sugar Corporation, the industry recorded a deficit the equivalent of \$18.1m last year and \$24.2m in 1984.

Street traders offer between 15 and 20 Guyanese dollars for a US dollar. Understandably, the traders pocket a bulging profit while the coffers of the central bank, which operates at the official rate of 4.30 to the dollar, are empty.

about 80 per cent to match the parallel rate. That would be political suicide," he said. The Government is struggling to meet its priorities such as importing oil and servicing the hard currency debt with the limited hard currency which finds its way into the central bank from sugar, bauxite, rice and gold.

There are also economic benefits, urgently needed by Guyana, which could come from Mr Hoyte's more moderate attitude. Caribbean Community leaders have agreed to a programme of regional joint ventures in new industries which could see new investments in Guyana. Relations with the US have been mended to the extent that the country will soon receive concessional food aid from Washington.

Uruguay signs \$1.7bn debt rescheduling deal

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

URUGUAY yesterday signed a \$1.7bn (£1.1bn) debt rescheduling agreement which will allow repayment of debt falling due up to the end of 1989 to be deferred.

Belco claims \$200m for loss of Peru assets

BY DOREEN GILLESPIE IN LIMA

BELCO PETROLEUM of New York, a wholly-owned subsidiary of Exxon of Houston, Texas (formerly HNG-InterNorth) has filed claims for \$200m (£131m) on a political risk policy with American International underwriters of New York in compensation for expropriation of its Peruvian oilfield assets at the end of last year.

US to withhold Zimbabwe aid

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE US will withhold \$13.5m (£8.2m) in aid to Zimbabwe pending completion of a review of the country's aid programme ordered earlier this week, the State Department said yesterday.

Anglo-French tie proposed for anti-missile system

BY DAVID MARSH IN PARIS

FRANCE HAS suggested collaboration by Britain in a proposed anti-missile defence system at present being studied by Aerospatiale and Thomson, two state-owned French defence groups. The system would be deployed in the mid-1990s.

Growth halts in chemical West German industry

BY DAVID BROWN IN FRANKFURT

THE GROWTH of West Germany's chemical industry halted in the first half of 1986 after the previous year's high levels, but the sector is confident about the remainder of the year as well as the "medium term future," said Mr Hans Albers, President of the Chemical Industry Association.

Advertisement for Mannin International, a private bank. Includes a logo with the word 'MANNIN' and 'INTERNATIONAL' and a list of services like investment, bank deposits, and insurance. Contact information for Portland House, Balaclava, Isle of Man is provided.

WORLD TRADE NEWS

Lockheed forges UK link in bid to win order

By Michael Domeo, Aerospace Correspondent

Lockheed Corporation of the US has appointed Marshall of Cambridge, the UK aerospace engineering company, to be the prime contractor in its bid to get the P-3 Orion Airborne Early Warning aircraft accepted by the Ministry of Defence in place of the Nimrod.

China 'must change disordered policy on technology imports'

BY ROBERT THOMSON IN PEKING

CHINA has imported more than 100 colour television assembly lines - capable of producing many more sets than the Chinese could possibly watch, according to a wide-ranging study of the country's technology import strategy. The report recommends major changes to present "disordered" policies.

Hearings finish on Hong Kong air routes

HEARINGS on an application by Hong Kong Dragon Airlines to operate scheduled passenger flights from Hong Kong to Amsterdam and Manchester ended in the colony yesterday.

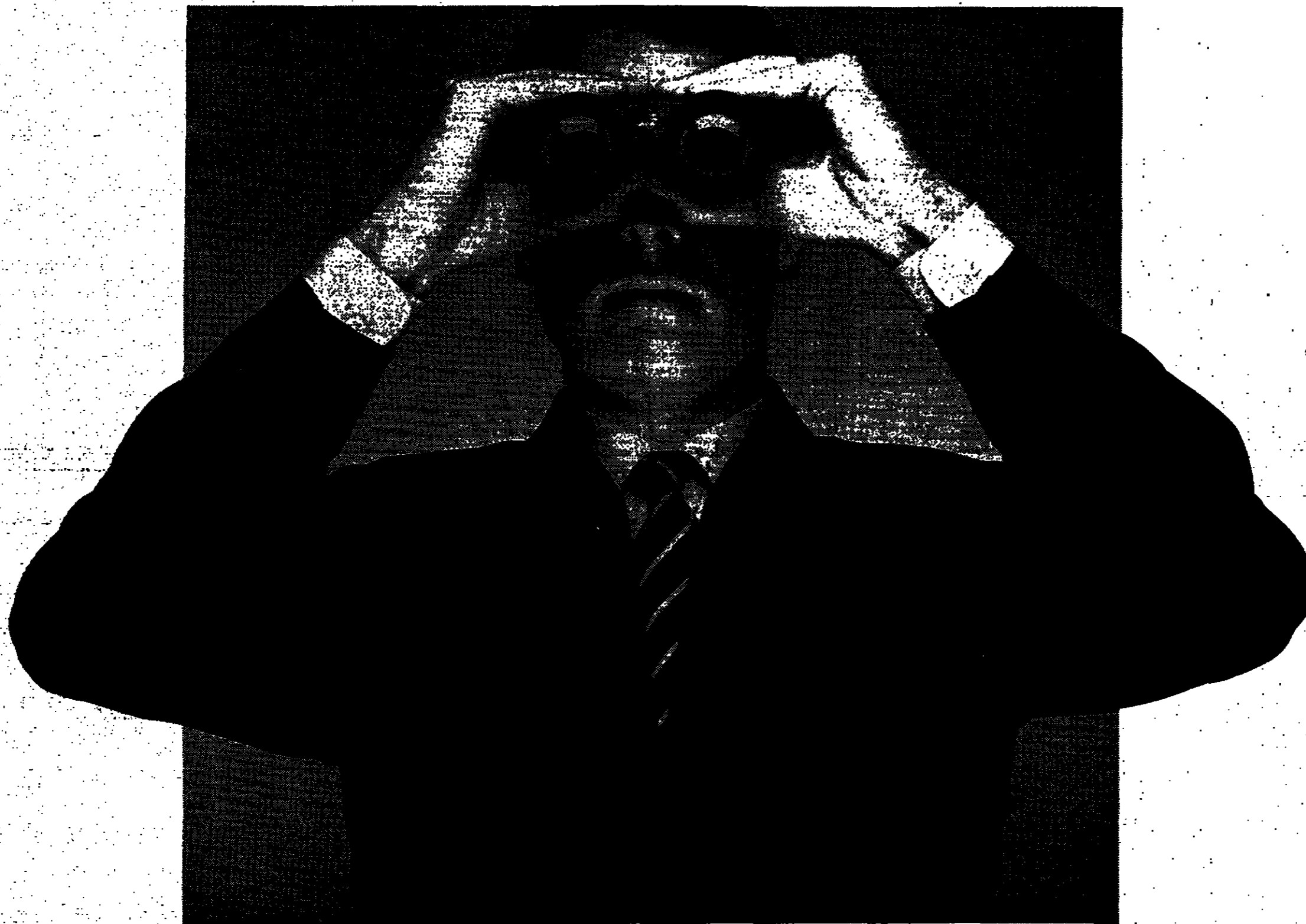
India studies export incentives

INDIA is considering incentives for manufacturers in an effort to boost the country's flagging exports, writes K. K. Sharma in New Delhi.

Mr Andre Girard, the French Defence Minister, has thrown his weight behind efforts to develop more sophisticated anti-aircraft and anti-missile missiles to plug a perceived gap in French defences.

The review, published in Outlook magazine, which has become a flagship of reformers, points out that feasibility studies in China are generally nothing more than a justification of a department's intention to purchase certain equipment. As Cao put it, they are "conducted selectively" and "rarely lead to a conclusion of unfeasibility."

Advanced Banking Technology



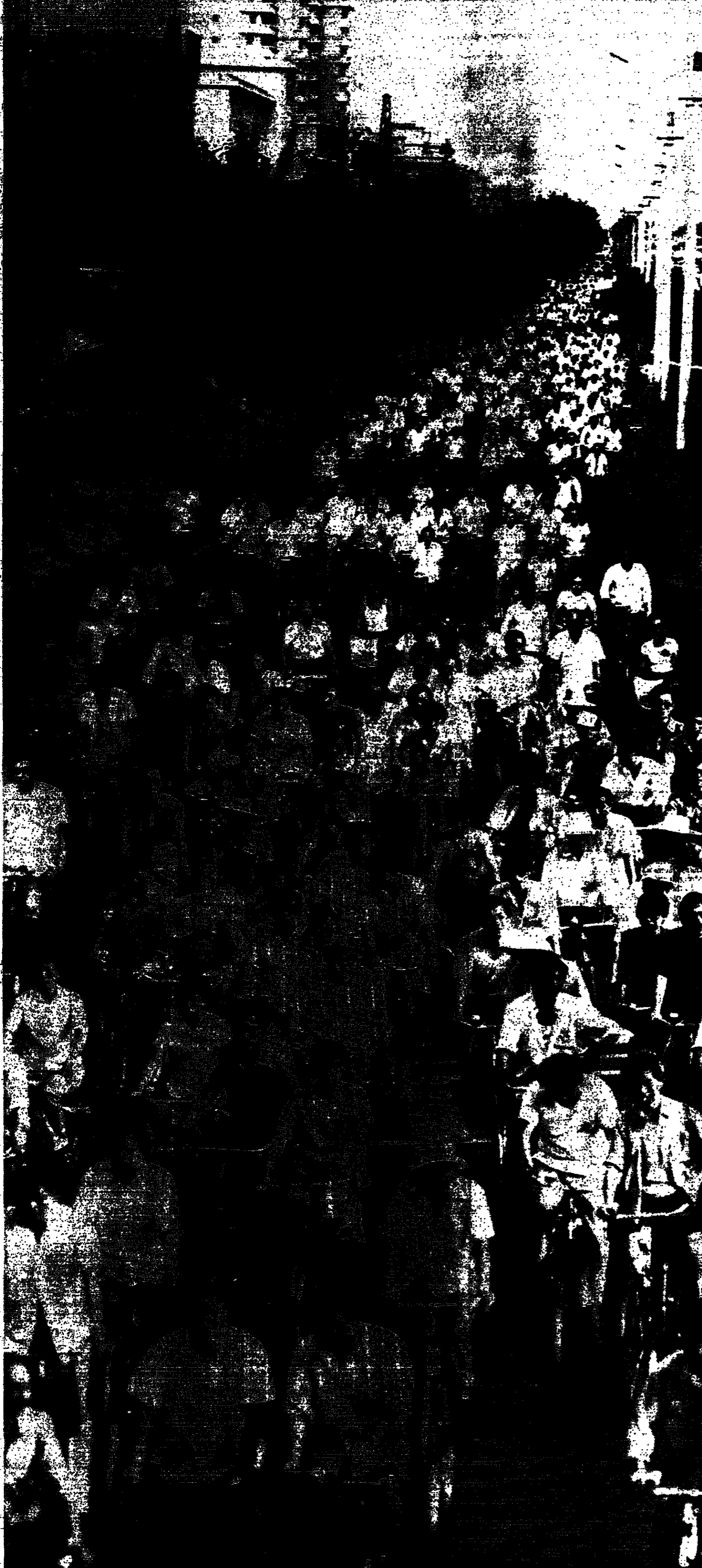
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We've finally found an answer to this ancient Chinese puzzle.

In the Chinese capital of Beijing (Peking) the bicycle is still the most popular form of transport.

Almost too popular you might say.

Because at 7.15 every morning, a few million cyclists on their way to work converge on the city centre and create one almighty traffic jam.

It's a ticklish little problem that had baffled the authorities for years until just recently they hit upon an answer 6,000 miles away.

Here at Plessey in Britain.

The green light.

What brought Plessey to the attention of China was our unique traffic control system that's already in operation in the UK. To date, eight major cities have installed it. Another six have it on order.

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So, 15 months from now, Beijing's cyclists should be happily freewheeling again.

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We're dedicated to technology in areas as far ranging as telecommunications, defence and micro-electronics.

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In recent years we have recruited up to 10% of the nation's brightest electronics graduates.

Many of them stay with us and become part of our management structure. So that most of our divisions have managing directors in their forties—with a strong entrepreneurial spirit.

Our operating profits over the past 5 years underline the fact. They show an increase of 89% with a compound annual rate of growth in profit before tax of 15%.

And this over the most testing period for any electronics company spanning as it did the huge technological change from analogue to digital electronic systems.

The fast lane.

The next few years look particularly healthy for us in the area of new product development.

Equally, initiatives in the United States, Europe and Australia suggest a substantial strengthening of our international operations.

For this success to continue, it is vital that we preserve the qualities which make us unique as a company.

And we believe that we can only do this by maintaining our independence.

Having just helped a whole city to speed up again, we'd hate to see ourselves slowing down.

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MANAGEMENT

"WE HAVE completely spoiled our relationship with the world outside the plant. We go round the ministries and departments and we argue, demand and swear at them," said the manager of the Soviet Union's biggest car plant at Togliatti.

The cause of this conflict is that the Togliatti Enterprise, called Vaz in the Soviet Union, is at the centre of an experiment in managerial and financial autonomy which Mikhail Gorbachev, the Soviet leader, wants to spread to the rest of Soviet industry as quickly as possible. He said last month that 200 of the country's biggest enterprises will join the same scheme at the start of 1987.

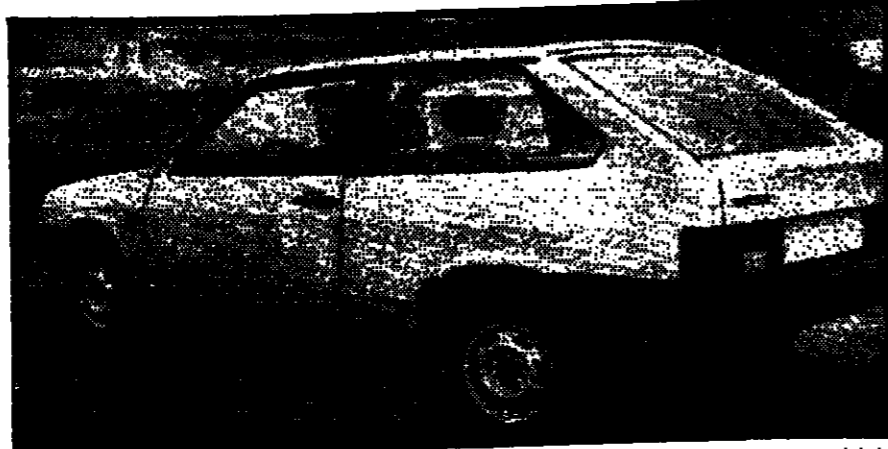
The aim is to raise productivity and the quality of production, limit the degree of central control by Moscow and to link wages more closely to the output of an improved product. Gorbachev says that only in this way can Soviet products attain international levels of quality.

The Togliatti plant, never a badly organised one by Soviet standards, began the experiment last year and some of the potential, and of the problems, facing the new initiative in Soviet management are now becoming clearer. This is important because the same difficulties and tensions will be felt throughout Soviet industry over the next decade as the biggest management change since the 1930s is introduced.

The plant itself is vast even by Soviet standards. It employs 125,000 workers in Togliatti, of whom 97,000 work in three shifts on site. Its three main assembly lines stretch two kilometres along the north bank of the Volga where the river loops around towards the city of Kuibyshev. The plant produced 721,000 cars last year, close to its recent average, and above its planned capacity when it was opened in 1970. A third of the cars are exported, half to eastern Europe and half to the west.

A central feature of the current experiment is a bid to make the enterprise self-financing through retention of profits. These are now to be divided with 47.5 per cent to the government and 5 per cent to the Ministry of Automobile Industry. At the same time the management at Togliatti will be able to retain and control 40 per cent of the hard currency earnings from its exports.

This is in sharp contrast to the way in which Soviet enterprises are normally run. Since industrialisation in the 1930s the emphasis has always been on tight central control by Moscow while local management implemented a plan emphasising the



Companies in the west buying Ladas say that the number of defects has dropped significantly over the past six months



A Soviet experiment in autonomy

Patrick Cockburn explains why managerial independence is being exercised at the Vaz car plant in Togliatti

volume of production. Unlike western enterprises, where manufacturing is generally dependent on the sales department and smooth relations with the banks, the day-to-day business of a Soviet enterprise is dependent on material supplies, and this is the predominant worry, according to Professor Gasile Kerbyan in his authoritative work, *Modern Soviet Society*. An allocation voucher issued by a central or regional authority is more important than money.

The plan now is to make economic levers — cost accounting, financial autonomy, profitability and productivity — rather than administrative fiat from above the main priorities for management.

Implementation of the experiment also means continual friction with existing ministries and departments, none of which has had its authority or functions officially limited. Speaking to foreign journalists, the present management at Togliatti minimises these differences.

"All the conditions of the experiment are being fulfilled at present," Alexey Nikolaev, the first deputy managing director, says blandly.

But the Soviet press, which extensively reports the progress of the experiment at Togliatti, and a parallel one at the Summ machine building enterprise in the north Ukraine, tells of continuing financial and managerial rights of the car plant. "There are few who want to give up their rights voluntarily," notes the *Izvestia* newspaper about the reaction of ministries in

Lada's home

THE city of Togliatti, once called Stavropol on Volga but renamed after the wartime Italian Communist leader, owes its development to the Volga automobile factory (Vaz), which was built between 1967 and 1978. The population then of 120,000 had already been boosted by the construction of a dam and hydro power station across the Volga in 1957. The build-up of water behind the dam covers most of the old city.

The population today is 640,000 and is housed in three big districts separated by a stretch of untouched forest. It will increase to 850,000 by the end of the century. Soviet plants like Vaz often control housing, recreational and medical facilities, which, in the west, would be either under municipal or private authority.

Moscow towards abrupt decentralisation. The new way of managing Soviet enterprises has not replaced the old method but exists uncomfortably alongside it.

For instance, Nikolaev says that Vaz now has no problem exercising its authority over the 40 per cent of foreign currency earnings which it is meant to control. The Foreign Trade Ministry, which has monopoly control of all Soviet foreign trade, "just does the paper work."

The issue is important because Togliatti is very largely

At Togliatti, the kindergartens and schools appear to be of high quality, but there are few cafes, bars or places for adults to meet. The sanatorium, on the edge of the forest, has been emptied and a red and white sign over the doorway reads: "Welcome to our guests from Gornel." Gornel is a district immediately north of the Chernobyl atom plant from which people are being evacuated.

Other than the Vaz car plant, Togliatti has five chemical works — too many according to local people — a machine tool and cement plant. The average age of people in the city is 29 but during his recent visit that President Gorbachev noted that facilities are small. Going through the Vaz factory he said an elderly woman had pressed a piece of paper into his hand which he read out at a meeting: "It is written

here in pencil. There is nowhere to go with the children. There is no theatre and one cinema."

The complaint was about the district, housing 300,000 people, immediately around the car plant. Local officials say that facilities are not in fact that bad given that the city has grown faster than anywhere else in the Soviet Union. Most of local investment has gone into housing but unmarried workers arriving in Togliatti live in dormitories where two share a room.

The dampness of the residential tower blocks and the flat, low shopping precincts does lead to a feeling of sensory deprivation after a time, but "give this place another 20 or 30 years and it will be a good place to live," said a local resident just turned 30. This seems a reasonable judgment.

The experiment at Vaz also includes an effort to make productivity and quality production central to the way the workforce is organised and paid. This involves paying bonuses to work teams which in turn allocate the money to its individual members. For the 504 men and women (75 per cent of the Vaz workforce is female) who work in the forging plant at Togliatti, these bonuses make up 10 per cent of the salary of a work team but up to 50 per cent of a single worker's wage.

There are signs that the complicated system of incentives is having an impact on the quality

of work. For instance, before the experiment started last year, many of the presses were not ready for use during the first hour of a shift. A system was introduced whereby if the team in charge of the maintenance and adjustment of the presses had 50 per cent working first thing they received a bonus of 10 per cent on top of their wage, if 60 per cent a bonus of 20 per cent and so on. This enables a skilled adjuster to earn 500 roubles a month compared with a plant average of 240 roubles.

The quality of the car coming off the end of the assembly line has also improved, though the rejection rate is still high. "The reject rate has dropped by between 3 and 5 per cent to 12 per cent of cars since the experiment started," according to the head of quality control in the testing area. This is confirmed by companies in the west buying the Lada which say that the number of defects in each car they receive has dropped significantly over the past six months.

This system of incentives is not applied in the same way throughout the plant; it is used most fully where there are bottlenecks. But a wealthy Soviet enterprise like Vaz has other non-financial incentives in the form of extensive fringe benefits which it can sometimes withhold to enforce discipline.

In the forging plant, for instance, a large poster about drunkenness lists benefits which can be lost by workers who persistently offend the new anti-alcohol regulations. These include an end to all bonuses, summer holiday packages,

entry to the company rest home, additional subsidies for lunch and job downgrading.

The devolution of authority from central ministries and state committees under the experiment also means a major change for Soviet managers. The emphasis on volume production under a centrally devised plan over the past 50 years turned many Soviet managers into sergeant majors good at obeying orders, poor at innovation.

The theory behind the new system is that managers greater responsibility in the running of the plant. Last week President Gorbachev attacked the state planning committee's plan for "dealing with matters which top industry executives, and perhaps even directors of industry, can sort out."

At Togliatti the quality of management looks better than in many other Soviet plants but neither they nor anybody else in the Soviet Union know how far the role of the manager will change over the next decade.

The experiment, though still in its early stages, has clearly made a difference at Togliatti. But how far is the experience gained there of universal applicability throughout Soviet industry? The Vaz plant differs from almost all other enterprises in the Soviet Union in that it produces a manufactured product to compete in Western markets and much of its capital equipment comes from abroad.

Much more modern machinery than is to be found in many Soviet factories was in place before the experiment began. At the same time it is a prestige plant visited and praised by President Gorbachev. The new Summ plant in Moscow, for example, is wholly vulnerable to the centrally controlled allocation of resources. The high price of its cars (the new Summ will cost 8,500 roubles, £7,550) means that self-financing is much easier than in enterprises which produce a range of products the profitability of which is vulnerable to central control of the prices of inputs and outputs.

In a command economy an economic experiment backed by the Communist Party is far from being a laboratory test case for reform. The Vaz plant does not exist in a vacuum. In the long run it is obviously impossible for a few Soviet plants to be separated off from the way the rest of the Soviet economy is run. "We are white cows," said one senior manager. "Either the rest will become white or we will become black."

Management abstracts

Security in computer-aided design/manufacturing systems. F. E. Taylor in *Chartered Mechanical Engineer* (UK), Sept 85 (3 pages). Reviews the security risks to CAD/CAM systems in light of increasing system intercommunication and standardisation, which enable their unauthorised transfer to be of immediate value to a competitor. Analyzes the essential elements of identifying and auditing risks; discusses techniques which allow access control, information scrambling and passwords. Notes that there is little legal protection against these security threats as the responsibility for protection lies with the system operator.

The executive family in overseas assignments. M. G. Harvey in *The Columbia Review of World Business* (US), Spring 85 (24 pages). Identifies some of the stresses and difficulties facing the family uprooted when an international executive gets a new posting; argues that the only satisfactory way of easing the situation is through a much more rigorous selection programme for executive and family.

Flexible Materials Management Systems. C. Schuk in *Industrial Engineering* (USA), Nov 85 (4 pages).

Contents that computer-controlled manufacturing systems, such as MRPII, can only be executed satisfactorily by using a flexible materials management system to address all aspects of raw material movement and storage; shows how such a system can be extended to real time by linking it with the management computer system. Highlights benefits of real-time control such as the immediacy of response and the ability to track material route; provides examples of a food distributor and pharmaceuticals company to illustrate the advantages of real-time stock information.

These abstracts are condensed from the abstracting journals published by Peter Horwood Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and P & H) each with order form attached. PO Box 23, Wokingham RG40 2EL.

Standard Oil
The oil reserves of Standard Oil were given incorrectly in Wednesday's article as 0.6m barrels as a result of a transcription error. This should have read 2.6m.

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Union Bank of California is a wholly-owned subsidiary of the Standard Chartered Group.

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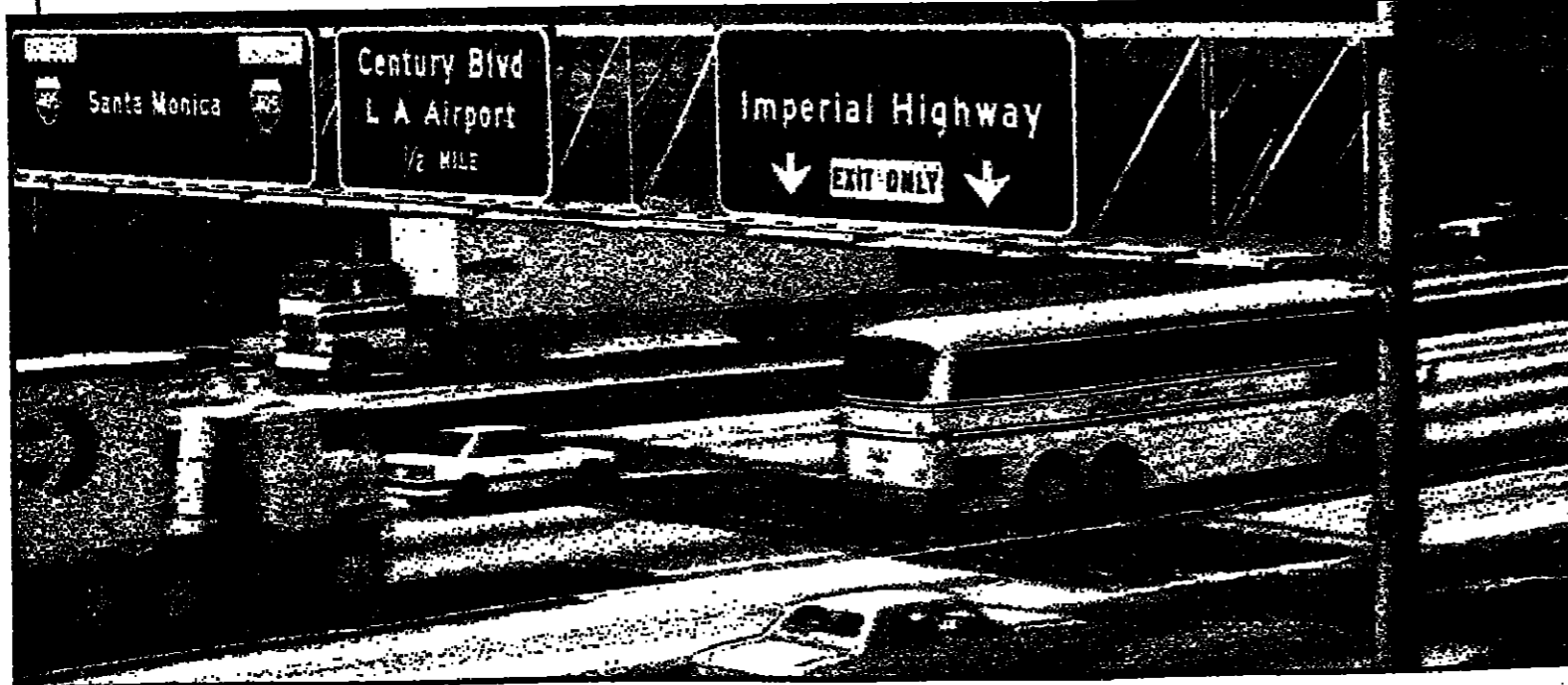
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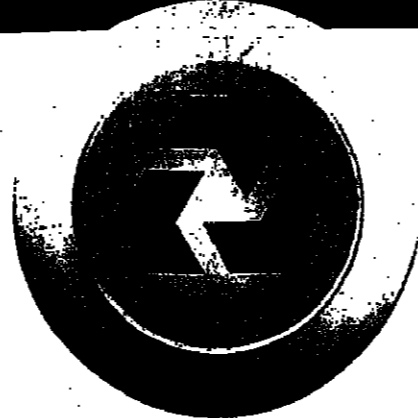
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BEHIND closed doors, in an inconspicuous part of its main factory on the outskirts of Milan, Pirelli is proving its production processes of the future.

That future is less than a year away. It will arrive first not in Milan, but at a sister plant, Settimo Torinese, in Turin. From early 1987, the plant's output of 1,500 truck tyres a day will be produced by a workforce of 600, half the current number.

The consequent big jump in productivity will be due to the pilot facility which has been operating for some months in Milan.

It employs only a handful of workers, and its tyre output is token. But it has demonstrated that the formerly labour-intensive production of truck tyres is no longer necessary.

Truck tyres are a lot more complicated to make than they might appear — and Pirelli's current range even more so. They are the first generation of low-profile radials with which the Italian tyre and cables group hopes to repeat in the commercial vehicle sector the revolution it pioneered in the car tyre business.

Its first high performance, low-profile car radials, P6s and P7s, were introduced in the 1970s. They opened up a sector in which Pirelli, and subsequently other tyre makers, could steer away from mainly price-based competition. Low-profile tyres have become a "glamour" purchase, attracting a premium for their roadholding and handling characteristics.

They have thus been a key factor, with productivity improvements, in Pirelli's return to profitability.

Glamour is not entirely absent from the truck world — to which the burgeoning popularity of truck racing testifies. But no truck operator buys tyres just because they look good or let a truck corner better.

The low-profile truck radials were developed because trucks and buses have become heavier, much faster and travel longer distances (see chart).

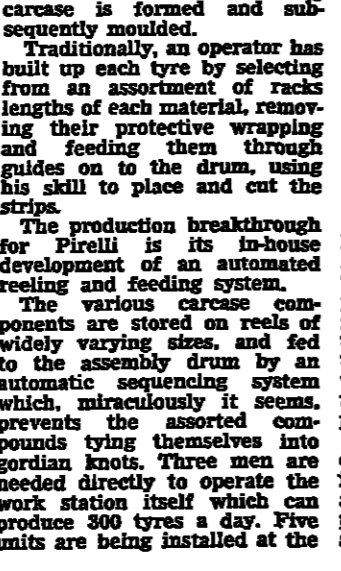
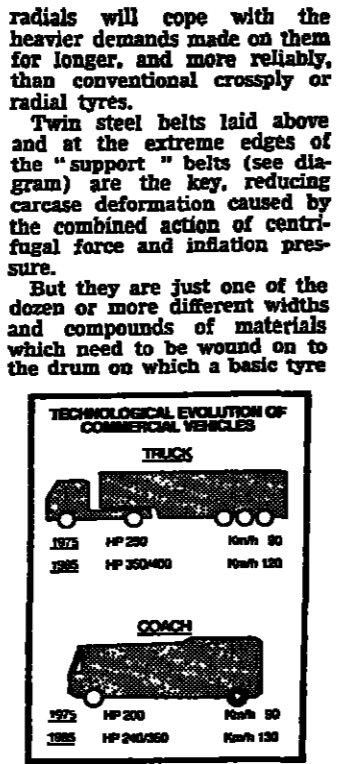
And Pirelli claims that its "Zero Degree" low profile

TECHNOLOGY

Pirelli truck operations follow successful car tyre formula

Lower profile — greater productivity

By John Griffiths



radials will cope with the heavier demands made on them for longer, and more reliably, than conventional crossply or radial tyres.

Twin steel belts laid above and at the extreme edges of the "support" belts (see diagram) are the key, reducing carcass deformation caused by the combined action of centrifugal force and inflation pressure.

But they are just one of the dozen or more different widths and compounds of materials which need to be wound on to the drum on which a basic tyre carcass is formed and subsequently moulded.

Traditionally, an operator has built up each tyre by selecting from an assortment of racks lengths of each material, removing their protective wrapping and feeding them through guides on to the drum, using his skill to place and cut the strips.

The production breakthrough for Pirelli is its in-house development of an automated reeling and feeding system.

The various carcass components are stored on reels of widely varying sizes, and fed to the assembly drum by an automatic sequencing system which, miraculously it seems, prevents the assorted components tying themselves into Gordian knots. Three men are needed directly to operate the work station itself which can produce 300 tyres a day. Five units are being installed at the

Settimo Torinese plant. Investment in similar, but slightly less automated and thus more flexible, facilities is being made at Pirelli's Breunberg truck tyre plant in West Germany, while Pirelli's UK plant at Burton-on-Trent has had in operation for some time a semi-automated facility to produce the tyres in a very wide range of sizes and treads.

Pirelli plans that within five years all its truck tyre plants will be fully automated. It has them in Spain and Greece, as well as one in Argentina and one in Brazil. Altogether, over £10m is being spent on new production processes and facilities.

While the productivity increase in Turin will be significant, the group believes it is on target for 10-12 per cent increases overall each year for the foreseeable future.

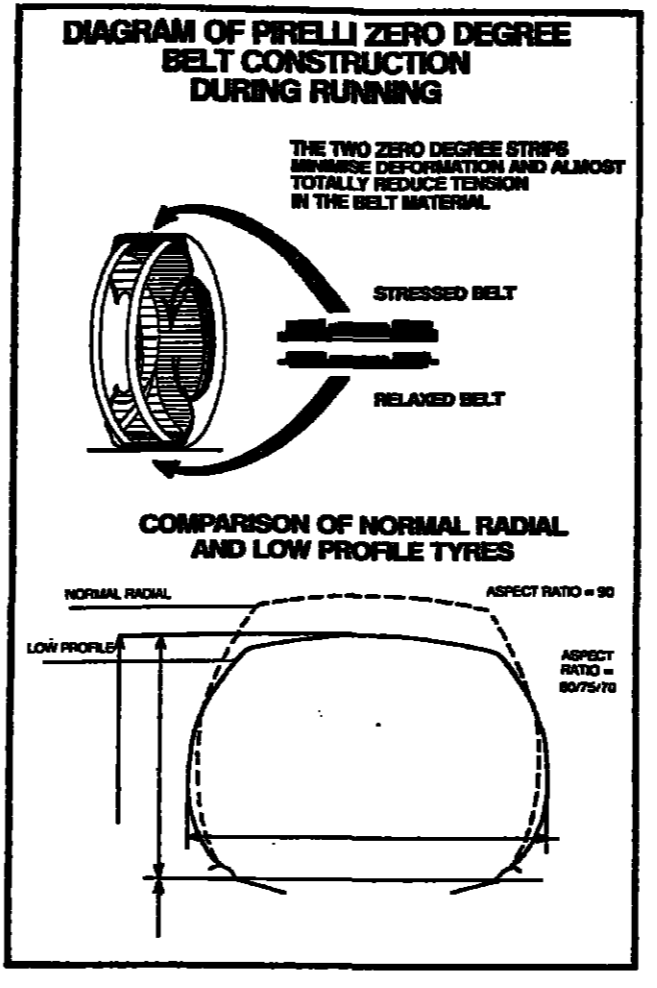
But this is not seen as meaning inexorably shrinking work forces, as the low profile tyres' desirability — just as with its predecessor for cars — is increasing demand.

Pirelli currently is producing some 2.5m truck tyres a year world wide, expected to rise to 3m by the end of 1987, for a world market — excluding the Common market — of about 5.5m a year, and which is expected to show only marginal growth up to the 1990s.

West European demand is put at 8m units a year, for original equipment and replacement tyres combined; the US 16m and Latin America 8.5m.

As happened with car tyres long ago, cross-ply truck tyres have all but disappeared from Europe in favour of radials. And Pirelli says it is now at a "critical" period for the low-profile radial. It claims to be getting a good initial response, but says the next two to five years will confirm whether it is right or wrong to commit itself to a premium price product so heavily.

There's no going back, for over half its truck tyre output is now of the zero degree type and the switchover will be complete in three-four years. Unit sales underwent an initial drop



but Pirelli is staking its future on the tyre on the basis of being able to demonstrate that whole life costs will be lower because of higher mileage and other benefits.

The risk taking appears to be justified. In the original equipment sector, Iveco is fitting 40 per cent of its production with the low profile radials, while about 8 per cent of Daimler Benz trucks are now fitted with them, according to Pirelli; 10 per cent Ford and a similar proportion Leyland.

Truck tyres, because of the tremendous stresses to which they are subject, are much more difficult to develop than those for cars, taking three-five years to develop from scratch with a single tread pattern costing \$2.5-\$3.5m to develop. "It is not a fashion product," explains the company. "So it is changed mainly because of external factors like legislation or a technology breakthrough."

Pirelli argues that this is why so much has been invested in the zero degree tyres. They

come in aspect ratios — height as a proportion of width — of 70, 75 and 80 per cent, compared with a normal tyre's 90 per cent.

Various advantages are claimed, including the use of bigger wheels to maintain the rolling diameter — creating room for the disc, rather than drum, brakes to which truck makers are switching to handle truck performance gains. Being lighter than conventional tyres, they not only increase payload, but lend themselves well to light alloy wheels — and further weight reductions.

So what is the next step in truck tyre development? Pirelli executives say they believe the focus is shifting to new compounds, so specialised that there will be really substantive differences between tyres fitted to front and rear axles, with yet other designs for semi-trailers.

Yet truck tyres will remain a compromise, with test rigs, no matter how sophisticated computers and systems become, unable to supply all the answers. Tyre technologists can design on a screen but the company accepts that because of the nature of tyre compounds, in being subject to the distortions of elastoplastic stress computer models incorporating all aspects of stress and strain simply cannot provide all the answers. Real-life testing, says Pirelli, will remain indispensable.

Some very much real-life testing has given Pirelli reasonable grounds for confidence in the future of the low-profile truck radials. They have become standard fitment on the European truck racing circuit, which far from being a cowboy activity is very much truck manufacturer supported.

And they are fitted to a Pirelli-sponsored Ford Cargo truck which, powered by an Avon 302 jet engine out of a Lightning fighter, is trying for a new truck land speed record. So far it has topped 300 kph without the tyres disintegrating — that is slightly faster than a Ferrari Testarossa travelling flat out.

Hitachi makes it crystal clear

DISPLAY SCREENS with an effective area of about 9 x 6.5 inches (230 x 166 mm) and a thickness of only 0.5 inch (13 mm) have been put on the market by Japanese company Hitachi.

Based on an improved form of liquid crystal technology, the screen has a definition of 640 x 380 pixels (picture elements). Hitachi says it has been able to double the contrast compared with normal liquid crystal displays (LCDs) without sacrificing definition. This is a fundamental problem with such displays because they have to be addressed or scanned in rows and columns of pixels down two sides of the screen. The more pixels there are, the more difficult it is to maintain the proper signal on

each of them in the short dwell times available. These and other addressing problems mean that the displays are not suitable for moving TV pictures — the switching time of the pixels is too slow. The units are

WORTH WATCHING

Edited by Geoff Charlton

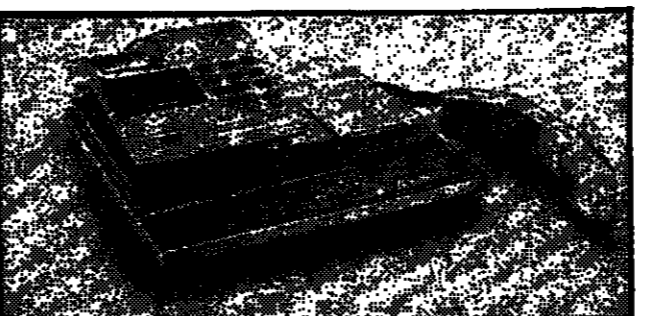
aimed at the character/graphics display needs of telephone / telex terminals, portable computers, word processors, industrial controllers and test equipment. The price in small volumes is about £200. More in the UK on 0822 46488.

ENGINEERING BOARDS of heavy density and high strength called Duratec have been launched by Cape Industrial of Glasgow.

The product has been developed as a replacement for high density asbestos-based boards, but contains no asbestos. It also has good electrical insulation and machining characteristics, retaining its strength at elevated temperatures.

VOICE SCRAMBLERS aimed at the business market are offered by the Edinburgh company Caltech under the name Cypherphone FX and will protect any conversation against eavesdropping or crossed lines.

The small device fits neatly



under a telephone instrument, to which it is connected in series to the wall phone socket. Using a keypad, any of 16m codes can be selected in conjunction with a personal identification number.

The selected code determines the way in which the speech analogue waveform is digitised and the called party can only get clear speech if he has used the same code in his unit. The sending unit digitises the speech, rearranges the digits and sends what will be an unintelligible sound in a normal phone.

At the receiving end, the sound is digitised again, the digits returned to their proper form, and a digital to analogue conversion restores the original speech. More on 011 682 1108.

French aid to building designs

COMPUTER-AIDED design software for architects and builders that will run on personal computers like the Apple 2 and IBM PC are offered by French company Glimor of 96 Boulevard de la Liberation, Vincennes F-94300.

Called Architect, the package allows users to work interactively in three dimensions and produce plans, elevation, and perspective views. Written in the "C" computer language, the programs are modular and there are add-on packages that allow measuring and estimating and the calculation of thermal coefficients.

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THIS NOTIFICATION IS IN ACCORDANCE WITH CLAUSE 9 OF THE CONDITIONS OF USE FOR BOOTS CHARGE CARD ACCOUNTS.

BOOTS CHARGE CARD IS WITH NWS TRUST LTD., NORTH WEST HOUSE, CITY ROAD, CHESTER CH1 3AN.

Company Notices

AFS JYSKE BANK
Subordinated Floating Rate Notes due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six month period from July 10th 1986 to January 12th 1987, the Notes will carry an interest rate of 6 1/2% (including the margin of 1/2%). The Coupon amount so calculated will be US\$328.44 for denominations of US\$10,000 and US\$5,000 or denominations of US\$250,000.

Legal Notices

IN THE MATTER OF K & J BUILDINGS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of August, 1986, to send in their full Claims, with supporting documents, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned of 2nd Floor, Power House, Oxford Street, Manchester M1 5AB, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such date as is provided.

Dated this 3rd day of July 1986.

M. J. ISAACS, Liquidator.

STEVEMAR CATERING EQUIPMENT SUPPLIES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 886 of the Companies Act, 1985, following the conditions of STEVMAR CATERING EQUIPMENT SUPPLIES LIMITED, will be held at the offices of M. J. ISAACS, Liquidator, 30 Southbourne Terrace, London W2 6LF on Thursday the 26th day of July 1986 at 12.00 o'clock (midday), for the purpose provided for in Sections 886 and 890.

Dated the 2nd day of July 1986.

F. WOLFFUS, Director

OMRON TATEISI ELECTRONICS CO.

Adverts have been received from Tokyo that the said Omron TATEISI Electronics Co. has been made for the six months period ending 31st March 1986.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to 50 cents per share share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM who are entitled to receive dividends in respect of the said shares should apply to the company.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to taxation in respect of dividends are invited to apply to the company for a copy of the relevant provisions of the Companies Act, 1985, as amended, which apply to the said shares:

Australia, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are entitled to receive dividends in respect of the said shares should apply to the company for a copy of the relevant provisions of the Companies Act, 1985, as amended, which apply to the said shares.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to taxation in respect of dividends are invited to apply to the company for a copy of the relevant provisions of the Companies Act, 1985, as amended, which apply to the said shares.

TO OBTAIN PAYMENT UNDER SECTION 886 OF THE COMPANIES ACT 1985, CREDITORS MUST BE APPROVED BY AN AFFIDAVIT OF RECEIPT APPROVED BY THE JAPANESE CONSUL GENERAL IN LONDON.

NOTICE IS HEREBY GIVEN that the above-named Company, which is being voluntarily wound up, is required, on or before the 30th day of August, 1986, to send in their full Claims, with supporting documents, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned of 2nd Floor, Power House, Oxford Street, Manchester M1 5AB, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such date as is provided.

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Dated the 2nd day of July 1986.

F. WOLFFUS, Director

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The Farm Credit System

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THE ARTS



Music

FRANCE
Aix-en-Provence (July 2-Aug 2): Opera Festival: Don Giovanni, Idomeneo, Tancredi, Ariadne auf Naxos, recitals by Margaret Price, and Jorge Bolet, de Vittoria, Palestrina, Strauss, Mozart, Mendelssohn, Beethoven, Bach, Vivaldi concerts (4223 3781).

Opera and Ballet

VIENNA
Strauss' Wiener Blut and Mozart's Die Entführung aus dem Serail. Every day except Sunday at the Schönbrunn Palace Theatre (82 45 86).

LONDON
London Philharmonic Orchestra, conductor Klaus Tennstedt, Shilong Mizuo violin: Beethoven Festival Hall (Mon), (528 3191).

LONDON
London Philharmonic Orchestra, conductor Klaus Tennstedt, Shilong Mizuo violin: Beethoven Festival Hall (Mon), (528 3191).

VIENNA
Philippe Leleuvre, organ: Couperin, Corneil, Robert Schumann, Franck, Dupre, Augustinierkirche (Fri).

WASHINGTON
Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances Neil Sedaka, Shirley Bassey, Dionne Warwick and Patsy Clark. Ends Aug 27.

Exhibitions

SPAIN
Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

ROME, Palazzo dei Conservatori: 'The Tranquil Dwellings of the Gods' a magnificent imperial palace in the heart of Rome. This exhibition leaves a vivid impression of the grandeur, grace and elegance of the palaces of the Roman emperors.

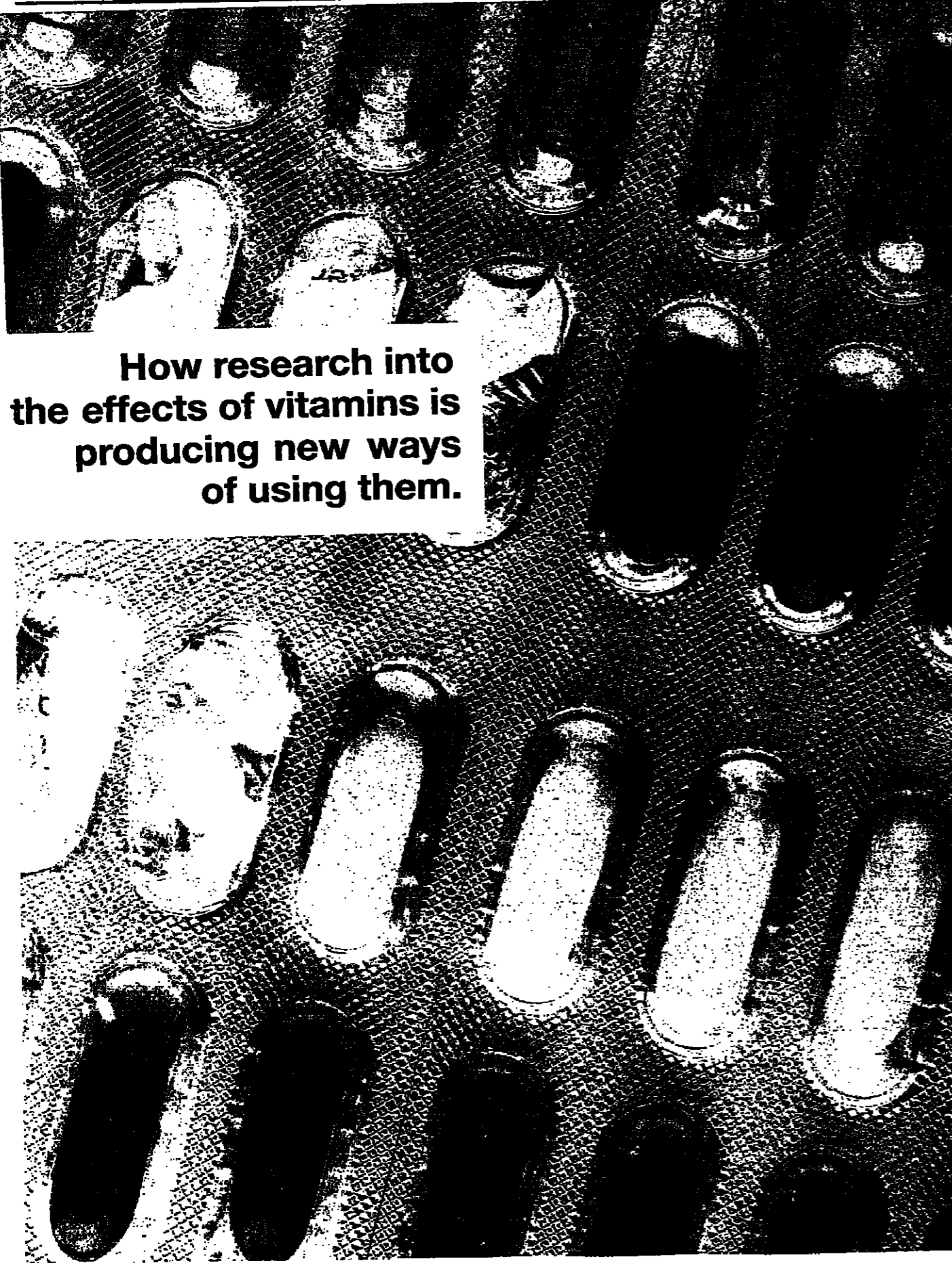
WEST GERMANY
Düsseldorf, Kunstmuseum, Ehrenhof: 50 huge classical drawings by the German expressionist covering 1933-34. Ends Oct.

ITALY
Spoleto (29th two worlds festival): Teatro Carlo Felice: midday chamber music concert every day. (4 02 85).

WEST GERMANY
Cologne, Opera: The last performance of this season will be 'The Marriage of Figaro', with Janice Hall, Andrea Andouian and Claudio Nicolai in the cast.

NEW YORK
New York Philharmonic (Central Park): Free concert conducted by James Conlon with celebrate Beethoven Day followed by a fireworks display (Mon).

PARIS
French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmitt exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's specialty.



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Continued on Page 14

التمويل

THE VISION

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It would be a joint venture in the truest sense, the most productive sense.

From day one they would share, exchange and improve ideas.

They would work together on every aspect of the project.

Better still, they would constantly compete with one another in the development of two separate executive motor cars.

One a Rover, the other a Honda.

As distinctively different as they are distinctive.

Today, that vision becomes reality. For Rover. And for Britain.



THE ARTS

Cinema/Nigel Andrews

A letter to God from the Deep South

The Color Purple directed by Steven Spielberg

Murphy's Romance directed by Martin Ritt

Enemy Mine directed by Wolfgang Petersen

Half Life directed by Dennis O'Rourke

Dear God... Mr Steven Spielberg done gone put me in a moving picture...

is merely to say that Mozart had his off days. The movie is still bristling with genius...

public acceptance and broad critical acclaim. Somehow it doesn't seem to matter that a film without subtitles bathed in a Liverpool or Northumbria dialect is verbally indecipherable for the average German public...

C4 wins Munich film prize

Ever since the Filmfest Munich was founded in 1983 during the summer season when German beer gardens are in bloom...

is merely to say that Mozart had his off days. The movie is still bristling with genius...



Whoopi Goldberg as Celie in The Color Purple

love with Mr's mistress, Shug Avery (Margaret Avery), who teaches her self-confidence as a woman and the joy and release of sex...

Rameau's Platée/Spoletto Festival

William Weaver

Though Spoletto is approaching its thirtieth year, two important elements in it remain perennially young...

Director Martin Ritt and screenwriter Harriet Frank Jr and Irving Ravetch have got together again...

Adriano in Siria/Chichester

Stanley Sadle

Opera 70 have been giving rare operas... often baroque ones, in Chichester for several years...

Director Martin Ritt and screenwriter Harriet Frank Jr and Irving Ravetch have got together again...

John Shirley-Quirk/Wigmore Hall

Richard Fairman

This recital was a marriage of opposites. It has become quite a fashion of late to pair a singer and a solo instrument...

Saleroom/Antony Thornecroft

The one that got away

The only Turner notebook of preparatory sketches likely to appear on the market sold for £238,000 at Sotheby's yesterday...

Arts Week

Continued from Page 12

painter, fresh from his studies in Vienna in the mid 1890s, was an artist of vision and true genius. Ends Aug 10.

such famous paintings as Les Femmes d'Alger, Rape of the Sabine and Mother and Child. Ends Aug 10.

Whitney Museum: The largest exhibit ever mounted of Shaker design shows off the strong, simple lines in the furniture, tools, textiles and graphic design of one of the great American Puritan cultures...

French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking musical comedy chorus numbers. (75/76)

Midsummer Night's Dream by Lindsay Kemp and Company. Kani Ho-son Hall, U-Port, Gotanda (Man). (88/75)

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FINANCIAL TIMES

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Friday July 11 1986

Europe's role in UK law

THE REJECTION by the European Court of Human Rights of the claim by UK shipbuilders and aircraft makers for higher compensation for their nationalised enterprises is a forceful reminder of the increasing influence of European courts on the law, and through it on economic policies in the UK.

This influence has often proved beneficial, opening channels of information closed by the establishment's inclination to secrecy, providing additional protection to inmates of prisons and shielding schoolboys against caning. Above all, it has forced the pace of progress towards the equal treatment of men and women.

The influence of European law is, however, less clearly good when it comes to the solution of economic problems specific to the UK. Equality of the sexes, access to information and treatment of prisoners are human issues, common to the peoples of Europe. Freehold of real estate and nationalisation or re-privatisation of industrial enterprises are specific UK problems for which no help can be expected from foreign courts.

Broad issues

However, nature abhors any void, and European courts tend to fill any space left vacant by national legislation. Compliance with the Strasbourg Court of Human Rights remains a military even if the Government has so far complied with every one of its decisions. But the European Convention of Human Rights also affects the UK in the guise of mandatory decisions by the Community Court of Justice in Luxembourg. This court is bound to respect principles of law common to all member states and consequently also the convention.

Though the British parliament did not make the convention a part of UK law, it is

in effect being applied in the UK by the two European courts. One must ask whether English and Scottish courts, with their more intimate knowledge of the political, legal and social background, would not apply such a bill of rights faster and more efficiently, particularly when it comes to broad issues of economic and social policy. In their latest decision, as well as in the recent ruling on the claim by the Strasbourg judges have clearly stated that they do not intend to interfere with the social and economic policies of governments. The convention was designed to protect the displaced victims of tyrannical regimes and not to settle competing economic claims by groups, individuals and enterprises within a democratic country.

Greater stability

Thus the long-discussed question whether the UK should adopt the convention as its own bill of rights appears to be the wrong question. For most practical purposes the convention is already effective in the UK. The real question is: would it not be better to entrust its operation to UK courts? Or, does parliament fear UK courts more than the European courts in Strasbourg and Luxembourg?

The integration of a bill of rights into the UK system would give a new dimension to judicial review of administrative decisions. This new, fast-growing area of judicial activity largely improvised. It would deserve a solid foundation on which courts could develop a system of administrative law.

If adopted as a constitutional law which can be changed only by a qualified majority of the parliament, the bill of rights would give a greater stability to ordinary legislation which had to live within its constitutional framework.

Monopoly power in brewing

SIR GORDON BORRIE, director-general of the Office of Fair Trading, seems likely to recommend shortly that Britain's curious system of "tied" public houses be investigated by the Monopolies and Mergers Commission. This would be a welcome decision because there is abundant evidence of anti-competitive practices and abuses of market power in the supply and distribution of beer.

The OFT has received many complaints from the public and small brewing companies trying to enter the market. It is concerned about high prices and lack of consumer choice.

Under the tied-house system, pub tenants are obliged to buy beer and other products only from their brewer landlord. About 60 per cent of UK pubs are tied houses, including the majority of high-volume, high-profit outlets.

Established precedent

The system gives the big brewing companies a degree of control over the retail distribution of their products which would be regarded as unacceptable in any other consumer products industry. It would seem extraordinary, for example, if one entered a food shop and discovered that the manager was permitted to sell the product of only one manufacturer.

If Sir Gordon does decide that a full monopolies investigation is warranted, he will merely be following a well-established precedent. There has been almost continual concern about anti-competitive practices in the industry since the mid-1960s.

In 1969 a previous Monopolies and Mergers Commission probe declared the tied-house system to be against the public interest. An investigation by the Prices Commission in the late 1970s was equally critical. In 1983, the EEC competition authorities found several aspects of the exclusive purchasing agreements unacceptable.

Alleged abuses

The problem is that, in spite of a surfeit of investigations, the structure of the industry has remained broadly unchanged. The proportion of tied houses has declined slightly but the big brewers have maintained their grip at the retail level.

In some areas this has led

Small producers

Arguments for pronounced vertical integration in the beer industry are hard to sustain. Why should brewers be able to impose exclusive contracts on pub tenants? It is hard to argue that enjoyment of one brand of beer is impaired by the presence of competing brands within the same pub. Nor is beer a product like a motor car where the quality of after-sale service is important enough to justify exclusive dealerships. After all, many contend that customers "rent" rather than buy beer, so transitory is the enjoyment.

Even small regional brewers, however, would not wish to see the sudden sweeping aside of the tied-house structure. They fear that in a free-for-all the big brewers might become still more dominant. One solution might be to weaken the tie: to insist that all tenants be free to offer at least one bulk beer of their choice from outside their landlord's group.

Blatant attempt

Small producers of real ale might expect to gain disproportionately from such a reform, since unmet demand for this product exists throughout the country. Such a loosening of the tie would be more effective if it were accompanied by another round of "pub swaps" between the main brewers designed to reduce their dominance of local markets.

Other necessary reforms include legislation to prevent brewers permanently taking pubs out of circulation by attaching to the sale of the property a condition that the premises be "de-licensed." This is a blatant attempt to curb entry into the markets by would-be competitors.

In the longer run, as the monopolies investigation of 1989 concluded, competition in the industry is likely to flourish only if licensing laws and hours are relaxed.

IN THE YEAR 1899 President Paul Kruger of the Transvaal was prepared to go to war against the might of the British Empire rather than give the vote to the "Uitlanders" who had backed into the Republic to seek their fortune on the gold-bearing reef.

At the crucial conference in Bloemfontein in the first week of June he bitterly told Sir Alfred Milner, the Governor-General: "It is not the vote you want but our country." It took three years or so to break the Boer years which left a legacy of bitterness and suspicion.

One week and 87 years after the Bloemfontein conference, President P. W. Botha, whose mother was among those heroes who concentrated camps by the British, addressed the nation on television to announce another state of emergency and declared: "We do not desire a siege economy and we do not seek it. But if we are forced to go it alone, then so be it. South Africa will not crawl before anyone to prevent it."

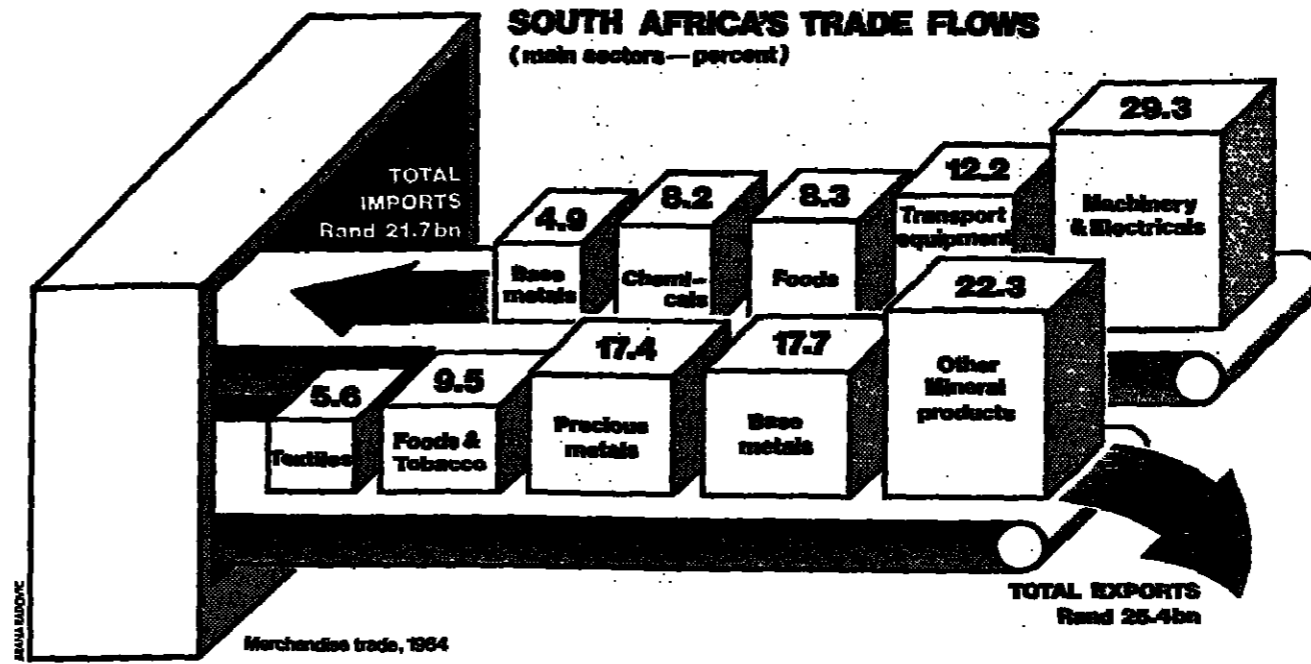
In the intervening years, South Africa and the world have changed immeasurably. But the determination of the Afrikaners to hold on to what they have has not. Since 1948 the whole of South Africa, not just the old Boer republics, has been governed by Afrikaner-dominated National Party. That political clout has been used largely to increase the power, wealth and status of Afrikaners who now hold all the key posts in the cabinet positions in the government, the civil service, the state-owned industries, the army and the police. Afrikaners have also risen through the professions, finance, insurance and mining companies. They have more to lose than any other group in South Africa—and nowhere else to go.

Furthermore, the country they rule is self-sufficient in food, is the world's largest producer of gold, diamonds, platinum and a host of strategic minerals and is the beneficiary of decades of heavy spending on infrastructure which has given it a First World endowment of railways, roads and harbours. Most of its trade is sea-borne and would require an enemy to blockade it physically to impede it. It also has the power, as Ambassador Denis Worrall reminded a select committee of the House of Commons last week, to cripple the economies of neighbouring States—namely Lesotho, Swaziland and Mozambique—also depend on South African electricity, and on the income from over 2m foreign emigrant workers in the African mines, farms and industries.

In addition, South Africa's trade with black Africa—currently worth more than \$2bn annually—is one of the fastest growing areas of its external trade. Revenues from transit traffic and harbour dues paid by its neighbours also make an important contribution to the income of the South African Transport Service (SATS). Loss of exports and

SOUTH AFRICA'S ECONOMY

Twenty-six years of siege



transit income would make a beggar-thy-neighbour policy costly for South Africa as well. The mining industry, not to speak of the mining unions, were also concerned about the threat to repatriate foreign workers and recruit unemployed South African blacks to do their jobs.

In any event, the transformation of what is now essentially an open economy—with foreign trade accounting for between 55 and 60 per cent of GDP—into a siege economy would not be an overnight affair. But a glance back at the last 26 years indicates how the trend towards a siege economy has been clearly visible since the end of the Boer massacre of 1960. Over this period several fundamental investment decisions were taken to increase South Africa's immunity to external shocks.

Billions of rand have been invested over the past two decades to build three of the world's largest and most technically advanced synthetic oil-refining plants, a largely self-sufficient armaments corporation, Armscor, and the Atlantic military and civilian diesel engine plant.

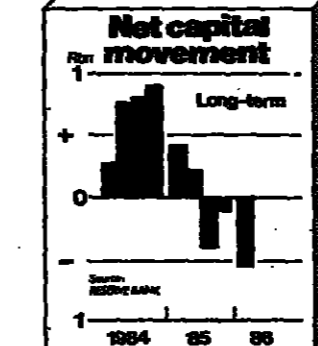
South Africa has also developed its own nuclear fuel enrichment facilities and spent an estimated \$22bn on building up a strategic oil stockpile, stored in worked out coal and gold mines. Indigenous cost also provides the bulk of electric energy generation from giant plants using the latest (imported) technology and is the feedstock for a sophisticated chemicals and explosives industry.

To an unquantifiable extent these "strategic investments" have incurred cost penalties resulting in higher prices, lower exchange rates, the diversion of funds from projects which might otherwise have benefited the black majority. But at the present and foreseeable standards, when Cole also provides the development of unconventional trading practices—including barter and counter-trade—and hefty commissions for middle men and sanctions busters.

investment, employment and income. According to most economists, the fastest sustained growth that could be managed through domestic saving and investment alone is around 3 per cent, barely enough to keep pace with the rising population. To secure the optimum rate of around 5.5 per cent, foreign investment is required.

South Africa has gone a long way towards mastering the economics of the laager. Anthony Robinson reports from Johannesburg.

rising emigration of skilled personnel and the exodus of more and more foreign companies, all of which is already happening. More than 50 US companies alone are understood to have left South Africa, primarily for economic reasons over the past year. Many others, including the two largest UK banks, Barclays and Standard Chartered, have reduced their



But the fact is that over the decade since the 1976 Soweto rising, average GDP growth has been only around 1.5 per cent annually while fixed investment has dropped every year for the past five. Against this track record even achieving a steady 3 per cent growth rate in the greenhouse, atmosphere of a siege economy would require a marked improvement on past performance when neither sanctions nor disinvestment were in effect.

It is highly unlikely, given the strategic strengths of the South African economy and the political will of the Afrikaner ruling class, that sanctions and disinvestment could swiftly "bring Pretoria to its senses." But gearing up for a "siege economy" will require considerable structural changes to the economy, the development of unconventional trading practices—including barter and counter-trade—and hefty commissions for middle men and sanctions busters.

This would be accompanied by holdings by not taking up their rights under capital increases. Predicting which sectors would benefit most from a siege economy is at present an inexact art, given the continuing uncertainty as to the precise nature of any future sanctions. But the expected emphasis on housing and other types of construction, possibly to be partially financed by regulations obliging insurance companies, building societies and pension funds to shift their investment flows towards low cost housing finance, is expected to benefit the construction sector which at present is deeply depressed. Also, South Africa's major domestic electronics group, is also well placed to benefit from import substitution and selected companies in the engineering sector could gain from efforts to substitute local for imported machinery.

Increasingly the debate within South Africa is not between the siege economy and the open economy but over whether the siege economy is best handled by letting market forces or direct Government control dictate the future pattern.

It is a debate which up to now has largely taken place within the Afrikaner establishment without much obvious input from the English speaking business community or foreign companies whose own investment or disinvestment decisions might hang on the outcome.

Last week Dr de Kock, significantly in a speech to the Afrikaanse Sakekammer (the Afrikaner Chamber of Commerce) argued strongly in favour of market-oriented adjustments. He pointed out that many of South Africa's problems, including the rapid growth of the country's short-term foreign debt, stemmed from a failure to adjust to adverse external factors such as the decline in the gold price after 1980 and the structural decline in demand for minerals in the new high-tech, energy and raw material-efficient environment.

He contrasted this with the "pragmatic" but necessary adjustments which had been forced on the economy over the past two years, mainly by allowing the exchange rate to fall. Thanks to this, and the deflationary package of July/August 1984, the deficit on current account has been transformed into a surplus, real salaries and wages have been adjusted downwards, much foreign debt has been repaid and the country is "living well within its means."

He might have added, but did not, that the low exchange rate, magnified by the effect of the two tier rand as well as depressing imports and boosting exports, also has had the effect of making "currency hostages" out of many individuals and companies who otherwise might have increased the R10.5bn which flowed out of the country last year.

The main target of Dr de Kock's speech was the influential body of Afrikaner businessmen, headed by Dr Fred du Plessis, chairman of Sanlam, and civil servants, who argue that under present conditions South Africa should opt for a

Buried in Mississippi mud

The US state of Mississippi joins China in the doghouse of the Bromley-based Council of Foreign Bondholders for failing to pay on its outstanding foreign bonds.

Mississippi is in trouble with the bond-watchers for not resolving a default on \$7m of international bonds. The fact that the state is a member of the Council does not lessen the relentless pressure of our Bromley sleuths.

Michael Gough, the council's director, yesterday had his first chance to present his case personally to Mississippi. The state's amiable treasurer, Bill Cole, was in London.

His mission is to examine funding opportunities in the international capital markets. Instead he ran straight into the debt collectors.

Cole says he is not in London under any instructions to negotiate a settlement on the outstanding debt. But he told Gough that he would like information on some of the background. This appears to be a debt the Americans have forgotten. Cole explains, "Quite frankly we do not have in the treasurer's office any record of the history. Although we do have about \$480,000 worth of the bonds that were presented to the state in a trust agreement at the turn of the century."

Other records apparently were lost during the US civil war—an irksome development as it left Cole and his colleagues quite mystified when they first heard of the default from the Council of Foreign Bondholders some three years ago.

Originally Mississippi issued the bonds to capitalise two local banks—Union Bank and Planters Bank—which invested heavily in the construction of a railroad that went bankrupt. There followed an acrimonious political debate in the state legislature about whether the bonds should have been issued in the first place. They were never redeemed.

Cole says he can appreciate the seriousness with which Europeans approach default

Men and Matters

problems. But he confesses he finds difficulty in drumming up interest in the topic back home.

Repayment of the defaulted bonds does not appear to be near the top of Mississippi's budget priorities. When Cole broke the news about the default to a Mississippi press conference the reception he got was, "Well, you're not serious are you?"

Cole is returning to Mississippi to report to the Governor, and the legislature in Jackson, on his meeting with Michael Gough. But he does not see a settlement on the debt. His personal solution to the problem would be for his state to buy back all the bonds, frame them, and sell them as livestock items. He says disarming, "We could make a lot of money that way."

Rabbit punch

There is an ironic twist to the location of the new laboratory that Glaxo has agreed to fund for Sir John Vane, the British scientist who resigned as Wellcome's research director last summer.

The new William Harvey Research Institute will be at Barts, the London teaching hospital where Harvey originally worked out how blood circulates.

Vane plans to search for new drugs for the treatment of heart and blood vessel diseases, for which his Nobel prize-winning work at the Royal College of Surgeons equips him well. He will need a stock of laboratory rabbits for his research.

But Vane has also attracted the unwelcome attention of the animal liberation supporters—some zealots even went as far as to firebomb his home less than two years ago.

Vane's new laboratory will, however, be hard by the Smithfield meat market where the

Split jam

THE BBC has managed to jam up part of the Soviet propaganda machine.

The new Soviet ambassador to Britain, Leonid Zamyatin, conceded to the House of Commons foreign affairs committee early this week that Russia jammed the BBC's Russian services. But he insisted that the BBC was in turn blocking reception of Radio Moscow, particularly in the north of England.

Stung by such an allegation the BBC engineers investigated and found that two of the six frequencies used by Moscow to broadcast in English were being jammed by the Soviet Union's own jammers.

The distinctive "road drill" type of jamming used against western channels was spilling over into Moscow's own frequencies.

"I find it quite ironic that those Herculean jamming efforts engaged in by the Soviet Union are actually serving to blot out some of their own broadcasts," says Angus Kerr, managing director of BBC external services.

Nitwit

The OECD has announced publication of a report called New Information Technologies—hereafter known as NIT.

How exquisite.

To think the wit Who thought up NIT Must live with it For quite a bit!

Observer

The Royal Oak

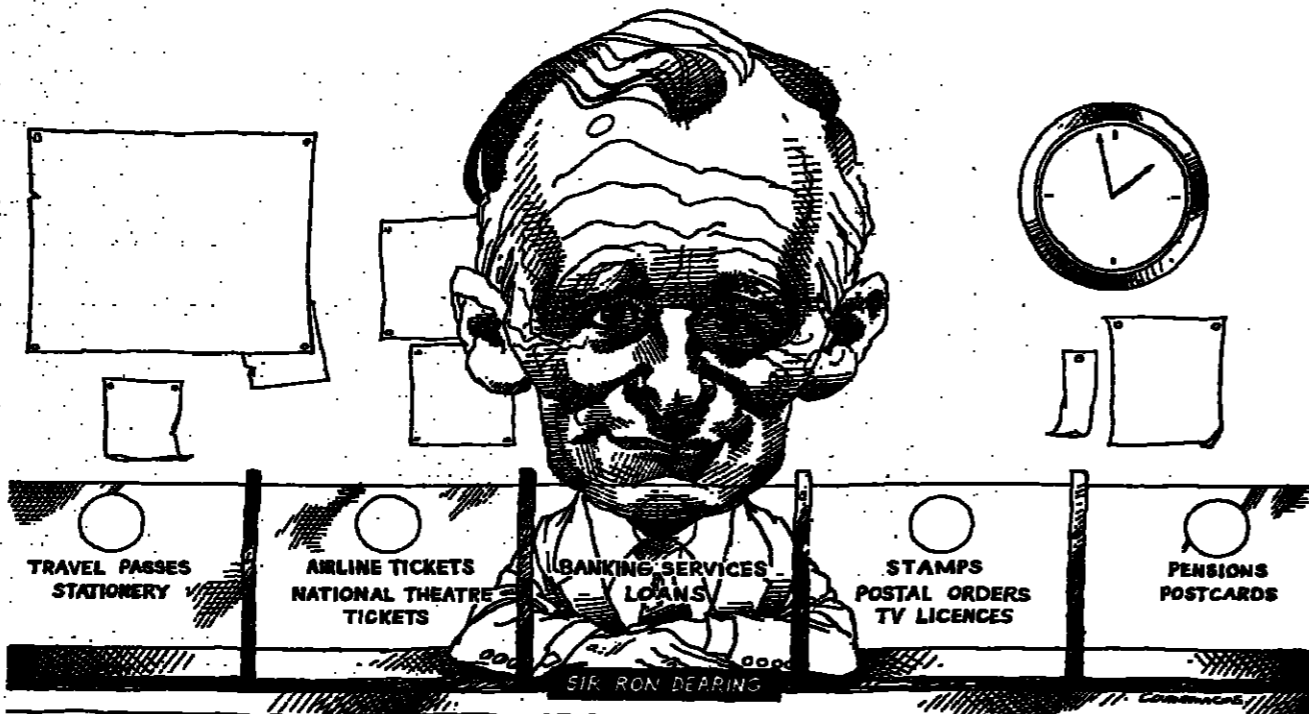
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Handwritten signature or note at the bottom of the page.

POLITICS TODAY

The people's Post Office

By Malcolm Rutherford



THE BRITISH Post Office... Sir Ronald has been making his points in speeches, the occasion of an interview and in an appearance before a select committee...

stamps are also being attended to... From next month about 2,000 electronic push-button machines will be introduced...

counter business and the Girobank... None is wholly a monopoly... Letters can be delivered by hand or by private agencies...

are almost limitless... If there is ever an integration of the tax and benefit system... The problem about industrial relations is that the Post Office is trying to adapt to very severe technological change...

What Sir Ronald suggests is a new relationship whereby management would be allowed to get on and manage... The Government can, and should, sack the management if it likes when it fails to deliver...

Lombard

Corporate image and reality

By Richard Lambert

US STEEL, one of the great names of American business history, is henceforward to be known as USX Corporation... For the companies, the name change is usually intended to be a symbolic gesture...

advertisers, employees and customers. The cost of the whole exercise has been put at \$10m... Sporting occasions obviously lend themselves to the treatment, especially if they have British connections...

Urban areas of opportunity

From the Deputy Director, Economic Development, Confederation of British Industry... Sir, you reported (July 7 and 8) that the Government is considering...

Letters to the Editor

original loan was taken out near the beginning of a month... Money on the line... From Mr S. Hurst... Sir, I read with interest Andrew Fisher's report...

Something to be said for a close company-bank relationship

From Professor W. Carl Kester... Sir, in his article "A lament for old-time banking" (June 17), David Lascelles puts his finger squarely on an important feature of modern finance...

Advertisement for St. George's Court, London EC3. Features a dragon logo and text: 'St. George's Court £26,000,000 Limited Recourse Facility to finance the development of St. George's Court, 51 Eastcheap, London EC3'.

Showing the way in personal computers

FERRANTI

SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Friday July 11 1986

Erith plc BUILDERS MERCHANTS

General Electric profits edge ahead 5 per cent

By Paul Taylor in New York

General Electric (GE), the fast diversifying US electrical and electronic equipment manufacturer...

Completion in June of the merger with RCA marks a major milestone in GE's strategy...

The acquisition of Kidder Peabody's investment banking business, the proposed addition of certain assets of Johnson & Johnson's diagnostic imaging business...

Meanwhile GE's financial condition remains strong, with the additional borrowings to finance the acquisitions well within our ability to pay without inhibiting future growth...

Among GE's industry segments the group noted yesterday that consumer products, major appliances, industrial products, aircraft engines and financial services all posted higher earnings...

and flat industrial products revenues.

Power systems earnings were substantially lower, while GE noted that materials earnings were slightly lower despite modestly higher revenues.

RAYTHEON, the US defence electronics and process engineering group, reported a 5.7 per cent increase in second-quarter net earnings...

For the first half, Raytheon reported net earnings of \$192.1m or \$2.47 a share compared to \$181.6m or \$2.18 a share in the year-ago period...

The company said the latest quarter's operating performance was "paved by electronics as our defence electronics systems continue to grow strongly..."

Safeway earnings slip to \$45.6m

By Louise Kahoe in San Francisco

SAFeway STORES, the giant US supermarket chain that lost an unsolicited \$3.5bn takeover bid from the Dart Group...

Sales were up slightly at \$4.57bn compared with \$4.54bn in the second quarter of 1985.

First-half earnings totalled \$72.6m, or \$1.19 a share, compared with \$75.6m, or \$1.26, last year.

Safeway said earnings from its foreign operations continued to show strength, but were insufficient to offset declines in US earnings.

Safeway had no further comment on the Dart Group takeover bid. On Wednesday the company said it would evaluate the offer and make a recommendation to stockholders by July 22.

US retail industry analysts predict that Safeway will either try to find an alternative buyer or seek a higher offer from Dart. "It's actually hard to refuse a cash offer. My bet is that Safeway will come back and ask for \$65 a share and that Dart will counter offer \$60 or \$61," said Mr Jonathan Ziegler of Sotro in San Francisco.

Alternative scenarios suggested by other analysts included the possibility that Safeway would sell off some of its assets and repurchase the Dart Group's 5.9 per cent stock holding.

Ford buys 10% stake in Korean car maker

By William Hall in New York

FORD, the second biggest US car manufacturer, is paying \$30m for a 10 per cent stake in Kia Motors, the Korean company...

Mr Donald E. Petersen, Ford's chairman, said: "The Pacific rim nations are becoming a pivotal production area for the global auto industry..."

Mr Donald E. Petersen, Ford's chairman, said: "The Pacific rim nations are becoming a pivotal production area for the global auto industry..."

Ford's decision to take an equity stake in Kia Motors follows an announcement in the spring of 1985...

British institutions snap up Peugeot

By Kenneth Gooding in Paris

PEUGEOT, the French motor group, revealed that 59 UK financial institutions bought shares when Chrysler of the US recently sold a 12.5 per cent stake in the French company.

Mr Jacques Calvet, Peugeot's chairman, noted that two institutions each bought 200,000 Peugeot shares, representing about 1.3 per cent of the capital.

Most of the Chrysler shareholding, worth about FF7.2bn (\$280m), was sold outside France so that the group's performance in the Paris bourse would not be affected.

He made it clear the group feels well protected from potential predators because the Peugeot family owns about 30 per cent of the equity.

The Michelin tyre group holds 10 per cent and other "friends" have a few per cent here and there," he said.

At the same time, shareholders who had had their interests for more than two years continuously had double the votes.

Mr Calvet said the Peugeot family and Michelin shareholders did not take up the 1985 rights issue because they decided small shareholders should be given a chance instead.

There was no question - barring some unforeseen emergency - of Peugeot having another rights issue before the announcement of 1986 results in March next year, he added.

This would enable the management to show it had made good use of the money raised by the FF7.2bn rights issue and FF7.6bn bond issue with warrants in 1983 before asking for more capital.

Mr Calvet indicated that Peugeot would almost certainly pay its first dividend for several years in 1987.

Texas Air bid for People Express ends

By Robert Gibbons in Montreal

TEXAS AIR said yesterday that People Express, the troubled cut-price carrier, had rejected its takeover proposal of \$9 in cash and non-convertible preferred stock.

Texas Air, which is already in the process of acquiring East Airlines, said that talks on the possible acquisition of People Express had ended.

Owens-Illinois, largest US producer of glass containers, lifted second-quarter net earnings from \$45.4m or 76 cents a share to \$56.1m or 93 cents, while sales edged up from \$953.1m to \$958.3m.

The company has also agreed to buy Care Corporation, which owns 41 nursing homes in six states.

Six-month earnings were \$257.1m or \$1.09 a share, against \$217.2m or 91 cents. Sales rose from \$1.56bn to \$1.8bn.

General Mills rebound continues

By Our New York Staff

GENERAL MILLS, the US packaged food and restaurant group, yesterday reported sharply higher fiscal fourth-quarter and full year earnings...

The Minneapolis-based group said its fiscal fourth-quarter net earnings jumped to \$42.2m or 94 cents a share on revenues of \$1.18bn.

General Mills reported net operating earnings of \$100,000 or 1 cent a share on revenues of \$1.07bn after taking a \$34.6m charge related to an asset redeployment programme.

For the fiscal year ended May 25, General Mills reported net earnings of \$183.2m or \$4.11 a share on sales of \$4.59bn compared to net earnings of \$115.4m or \$2.58 a share on sales of \$4.25bn in the previous year.

In fiscal 1985 a loss of \$188.2m from discontinued operations made a final net loss of \$72.9m. The fiscal 1985 earnings from continuing operations include a \$44m charge.

The group, whose major brands include Big C cereals, Betty Crocker desserts and Gold Medal flour, and which operates about 505 restaurants, has spun-off its toy and fashion groups and disposed of several special retailing businesses as part of a major restructuring.

Yesterday, General Mills said its current year was off to a "promising start" towards strong financial performance.

The company said its consumer foods business showed a favourable operating profit in the year just ended, despite heavy marketing spending. The restaurant group plans to add 100 new outlets in the current year, up from 29 in 1985 and four in 1984. It also intends to remodel more than 300 existing Red Lobster and York restaurants.

Suncor stake to be retained

By Robert Gibbons in Montreal

ONTARIO'S Liberal Government has been prevented by the collapse in oil prices since last December from carrying out a commitment to sell its 25 per cent interest in Suncor, the integrated oil producer and operator of the first Alberta oil sands mining plant.

Mr Robert Nixon, treasurer, said the Government took a highly negative view of the investment, made by the previous Conservative Administration after the 1978 energy crisis, but was forced to retain it. Independent advice is that the Suncor holding is worth between C\$67m and C\$105m (US\$60m to 122m) he said, against the C\$45m paid in 1981.

Lockheed to acquire Sanders in agreed bid

By Our New York Staff

LOCKHEED, the US aerospace group, has emerged as the white knight in the takeover battle for Sanders Associates with an agreed \$1.2bn offer.

Mr Lawrence Kitchen, Lockheed's chairman, said Sanders would form the nucleus of an electronics group at Lockheed, which has been hunting for acquisitions for some time.

"We view the electronics capabilities of Sanders, when coupled with the different but complementary capabilities of Lockheed, as an excellent opportunity substantially to improve the growth and profitability of both companies in the coming years," he said.

Lockheed is the latest in a string of major US companies which have been expanding into the electronics field. Its emergence as a wealthy white knight with the \$60-a-share bid for Sanders is a blow for Lorat which had first offered \$44 a share and then increased its offer to \$50 a share.

Alternative scenarios suggested by other analysts included the possibility that Safeway would sell off some of its assets and repurchase the Dart Group's 5.9 per cent stock holding.

The Michelin tyre group holds 10 per cent and other "friends" have a few per cent here and there," he said.

NISSAN MOTOR CO., LTD. (Nissan Jidosha Kabushiki Kaisha) (Incorporated under the Commercial Code of Japan) ¥15,000,000,000 6 1/4 per cent. Bonds Due 1996 ISSUE PRICE 101 1/4 PER CENT. Daiwa Europe Limited, IBJ International Limited, Fuji International Finance Limited, The Nikko Securities Co., (Europe) Ltd., Algemene Bank Nederland N.V., Bank of Tokyo International Limited, Banque Nationale de Paris, Citicorp Investment Bank Limited, Goldman Sachs International Corp., Kyowa Bank Nederland N.V., Manufacturers Hanover Limited, Merrill Lynch Capital Markets, Samuel Montagu & Co. Limited, New Japan Securities Europe Limited, Société Générale, Sumitomo Finance International, Wako International (Europe) Limited, S.G. Warburg & Co. Ltd., Yamaichi International (Europe) Limited

REPUBLIC OF ICELAND ECU 50,000,000 6 7/8% 1986-1996 Bonds Kredietbank International Group BankAmerica Capital Markets Group Westdeutsche Landesbank Girozentrale Algemene Bank Nederland N.V. Bank Brussel Lambert N.V. Bank Mees & Hope NV Banque Générale du Luxembourg S.A. Banque Indosuez Banque Nationale de Paris Banque Paribas Capital Markets Limited Compagnie Monégasque de Banque Crédit Commercial de France Crédit du Nord Credit Suisse First Boston Limited CIBC Limited Enskilda Securities Skandinaviska Enskilda Limited Generale Bank Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft Istituto Bancario San Paolo di Torino Manufacturers Hanover Limited Morgan Guaranty Ltd Morgan Stanley International The Nikko Securities Co., (Europe) Ltd. Nippon European Bank S.A. - ITCB Group Nomura International Group Limited Norddeutsche Landesbank Girozentrale PK Christiania Bank (UK) Limited Privatbanken A/S Rabobank Nederland Sumitomo Finance International Tokai International Limited Union Bank of Norway Sparebanken ABC Union Bank of Switzerland (Securities) Limited S.G. Warburg & Co. Ltd. Yamaichi International (Europe) Limited

INTL. COMPANIES & FINANCE

Deminex warns of loss if oil slump continues

BY RUPERT CORNWELL IN BONN

DEMINEX, the West German oil exploration and production company, has warned that it could plunge into the red for this year if the slump in world oil prices continues - in which case, according to Mr Ernst Hotz, its chief executive, "drastic measures" would become virtually unavoidable.

The grim scenario sketched out by Mr Hotz assumes that energy prices bump along at their present depressed level until autumn or early winter. He did not specify the exact shape of any corrective action, but hinted that one of the areas to come under scrutiny might be the North Sea.

Deminex, which is 54 per cent owned by the Veba chemicals and energy conglomerate, is currently

involved in 82 exploration ventures around the world, in addition to its extensive activities in the US. But as Mr Hans-Martin Köpchen, the company's managing director, noted, while costs in countries such as Egypt and Syria, at the equivalent of some \$4 per barrel were still "relatively favourable," opening up a new field in the North Sea was unprofitable if oil prices remained at about \$10 per barrel.

The worsening of the oil market has already had a big impact on Deminex's results for 1985. While turnover soared to DM 1.65bn (\$756m) from only DM 740m in 1984, earnings were halved to DM 67.4m from DM 133.9m a year before. Crude oil production rose 10 per cent to 3.7m tonnes, of which two thirds came

from the North Sea and the rest from Egypt, the US, Indonesia, Syria and Canada.

The immediate outlook has led the group to slash its planned exploration expenditure for this year by half from the originally planned DM 940m.

Despite the current difficulties, which Mr Hotz admitted might persist into 1987 or even 1988, Deminex is sticking to its basic task of helping West Germany, which has no major domestic oil fields nor any major league oil company of its own, to achieve a measure of control over its supplies.

At present, Deminex's exploration spending - DM 294m in 1985 - is 45 per cent covered by the state.

Amev plans to expand US leasing

By Laura Reun in Amsterdam

AMEV, the third-largest Dutch insurance company, plans to acquire Certified Furniture Leasing of Atlanta, Georgia, a division of National Service Industries, for \$20m.

The acquisition is aimed at bolstering Amev's furniture and office equipment leasing activities, which are carried out by General Furniture Leasing of Atlanta.

Amev's policy in North America is to allow wide latitude to the 10 operating companies, which include leasing, finance and venture capital. Amev will be the fourth-largest participant in the US furniture leasing business with about 10 per cent of the market.

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.

£46,000,000

CGF Capital B.V.

(Incorporated with limited liability in The Netherlands)

7½% Convertible Subordinated Guaranteed Bonds Due 2001

Convertible into Ordinary Shares of, and unconditionally and irrevocably guaranteed on a subordinated basis by,

Consolidated Gold Fields PLC

(Incorporated with limited liability in England)

The following have agreed to subscribe or procure subscribers for the Bonds:

S. G. Warburg, Akroyd, Rowe & Pitman, Credit Suisse First Boston Limited
Mullens Securities Ltd.

Union Bank of Switzerland (Securities) Limited

J. Henry Schroder Wagg & Co. Limited Banque Paribas Capital Markets Limited

Cazenove & Co. Dresdner Bank Aktiengesellschaft

Goldman Sachs International Corp. Morgan Stanley International

The issue price of the Bonds is 100 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official List.

The first interest payment will be made on 30th June, 1987 in respect of the period from 24th July, 1986 to 30th June, 1987. Subsequently interest will be payable annually in arrears on 30th June, commencing in 1988.

Listing Particulars relating to the Bonds, the Issuer and the Guarantor are available in the statistical service of Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 15th July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 25th July, 1986 from:

Credit Suisse First Boston Limited,
22 Bishopsgate,
London EC2N 4BQ

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

The Chase Manhattan Bank, N.A.,
Woolgate House,
Coleman Street,
London EC2P 2HD

11th July, 1986

Ferranti in Spanish chip venture talks

By Tom Burns in Madrid
FERRANTI IS negotiating a participation in a Spanish electronics company with the aim of transferring technology to manufacture semiconductor chips.

The negotiations concern Piber Semi Conductors, a Barcelona-based company which is in financial difficulty and which will now be salvaged by public funds and restructured into a new company that will be linked to the British Ferranti group.

The likely outcome of initial talks will be the creation of a joint venture grouping the local authorities in Barcelona, the Industry Ministry in Madrid, a Spanish company called Serrano Semi Conductors, which mainly markets imported electronics, and Ferranti.

Three months ago Piber suspended financing payments when it posted liabilities of Pta 2.2bn on assets of Pta 2.5bn. The Barcelona-based autonomous Catalan government is understood to be prepared to inject Pta 70m to finance a three-month feasibility study into the projected new company.

Rheinmetall expects sales boost

BY RUPERT CORNWELL IN BONN

LARGELY THANKS to its acquisition of the Pierburg car components concern, Rheinmetall, the fast diversifying engineering and arms group, is expecting to boost sales this year to about DM 2.5bn (\$1.29bn) from DM 2.1bn in 1985. The company also plans to double its capital investment programme for 1986, to about DM 200m.

This was announced by Mr Hans Brauner, chief executive, in his latest report on Rheinmetall's progress towards its goal of becoming a rounded high technology concern, in place of its traditional structure as an engineering group, heavily dependent on arms production.

being primarily identified with the arms industry was evident as recently as May, when four present and former executives were convicted of illegal arms exports by a court in Düsseldorf. But Mr Brauner pointed out that whereas defence equipment accounted for 70 per cent of sales in the late 1970s—when those offences were committed—that proportion had dropped to 37 per cent in 1985.

If Pierburg was included, he declared, engineering activities generated 59 per cent of total sales, with the remaining 24 per cent in car components. This diversification not only underlined Rheinmetall's ambition of becoming an all-round "technology concern," it was also enabling the group to spread

its risks more satisfactorily. As further proof of its intentions, Rheinmetall is also involved in the newly created "Technology Centre North" at Unterfressen in the state of Lower Saxony, which it hopes will allow it to be a pace setter for high technology innovation in the civilian sector.

Earnings last year rose to DM 59.2m from DM 45.1m in 1985, as sales jumped 6.5 per cent to DM 2.1bn. The dividend however, stays at DM 7.50 per ordinary share and DM 8.50 per preference share. In the first six months turnover was up 5.5 per cent at DM 1.3bn. New orders booked during that period reached DM 1.4bn, bringing the group's total outstanding order book to DM 2.6bn.



EGERTON TRUST PLC

	Six months to 30th June 1986	Six months to 30th June 1985	Year to 31st Dec 1985
Turnover	5'000	5'000	5'000
Profit before taxation	3,096	2,796	3,075
Profit after taxation	647	413	86
Profit/(loss) attributable to shareholders	551	270	68
Earnings per ordinary share	477	270	(682)
Dividends payable	3.44p	3.16p	0.80p
Dividends per share	(80)	(17)	(17)
	0.5p	0.2p	0.2p

Extracts from the statement by the Chairman, Frank Sanderson.

1. Unaudited profit before tax for the period was \$647,000 (1985 - \$413,000), showing a significant recovery from the 1985 full year outturn of \$86,000.
2. Principal contributions were from private housebuilding, with nursing homes and property investment also showing profits.
3. The new management team has been able to assemble an extensive programme in the nursing home, sheltered housing and private housing fields.
4. Eight nursing homes have been or are being purchased.
5. All divisions are very active, both in the implementation of existing programmes and the analysis of additional projects.

The Chairman indicates significant growth in earnings for the future.

Copies of the Interim Statement are available from:
The Secretary,
EGERTON TRUST PLC

1 Lansdale Gardens, Tunbridge Wells, Kent TN11 1NU Telephone: Tunbridge Wells (0682) 96427

Financial Highlights 1985

1985 - Key Figures	(DM million)
Balance sheet total	2,463
Due from banks	1,267
Securities	310
Credit volume	1,177
Due to banks	2,104
Capital	50

As of December 31, 1985, the balance sheet total of Badische Kommunale Landesbank Internationale S.A., Luxembourg, was approximately DM 2.5 billion.

In its lending activities, the Bank focused on syndicated Eurocredit business, short-term loans to German customers and trade financing for German exporters. The overall credit volume amounted to DM 1.2 billion.

Deposits from banks totalled DM 2.1 billion and remained the most important source of funding.

Earnings rose by 30% - largely the result of trading operations. Following allocation of the maximum permissible amount to the general risk provision, net profit was fully applied to increasing risk coverage.

The Bank's capital was DM 50 million. Total capital funds, including a subordinated loan, amounted to DM 142 million.

If you would like further information we would be pleased to send you our 1985 Annual Report.

BADISCHE KOMMUNALE LANDESBANK INTERNATIONAL S.A.

7, Boulevard Joseph II, P.O. Box 626, L-2016 Luxembourg, Telephone: 4 75 99 11, Telex: 1791

ATKINS

Atkins Brothers (Hesley) plc is an industrial holding company with two major operating subsidiaries involved in separate but complementary businesses.

atkins
ATKINS OF HINCKLEY LTD.,
is a leading designer and manufacturer of high-quality hosiery and knitwear products.

AIH
ATKINS INDUSTRIAL HOLDINGS LTD.,
manufactures and markets a range of electronically controlled display systems.

The Group's declared objective is to generate growth in earnings per share both organically through the active development of its existing interests and, where appropriate, by further acquisition.

I am very pleased to be able to report record profit figures for the year. Trading in the first two months of the new year has started well. Bill Dawson, Chairman

FROM THE 1986 ANNUAL REPORT:

- Turnover £19m - UP 36%
- Pre-tax profit £1.1m - UP 255%
- Earnings per share 16.71p - UP 188%
- Total dividend 7p per share - UP 30%

For a copy of the 1986 Annual Report, including a pictorial review of the Group's operations, write to: The Secretary, Atkins Brothers (Hesley) plc, Lower Bond Street, Hinckley, Leicestershire.



Bank of India

London Branch
U.S.\$40,000,000
Negotiable Floating Rate Certificates of Deposit due 1987 (Retractable at the option of the holder to 1986)

In accordance with the provisions of the above Certificates, notice is hereby given that for the 6 months from 9th July 1986 to 9th January 1987 (184 days), the Certificates will carry an interest rate of 7% per annum.

The interest payable on the next interest payment date, 9th January 1987, in respect of each US\$500,000 Certificate, will be U.S.\$17,888.89

Agent Bank:



NOTICE OF REDEMPTION

US\$60,000,000
Industrias Penoles S.A. de C.V.
Floating Rate Notes Due 1989

Notice is hereby given that pursuant to the conditions of the above Notes, the Company will, at the option of the Noteholders, redeem, at a price equal to the principal amount together with accrued interest, on the next Interest Payment Date falling in October 1989. To exercise such option the Notes are to be deposited with any Paying Agent mentioned thereon between the dates 24th July, 1986 to 8th August, 1986.

Bankers Trust Company, London
11th July, 1986

Agent Bank

All of these Securities have been sold. This announcement appears as a matter of record only.

SAS
A \$50,000,000

Scandinavian Airlines System

14¼% Notes Due 1989

MORGAN STANLEY INTERNATIONAL

ALGEMENE BANK NEDERLAND N.V.

CREDIT LYONNAIS

ANZ MERCHANT BANK Limited

BAYERISCHE LANDESBANK Girozentrale

CITICORP INVESTMENT BANK Limited

EBC AMRO BANK Limited

NEDERLANDSCHE MIDDENSTANDSBANK N.V.

NORDEUTSCHE LANDESBANK Girozentrale

PK CHRISTIANIA BANK (UK) Limited

WESTDEUTSCHE LANDESBANK Girozentrale

July 1986

BANQUE BRUXELLES LAMBERT S.A.

MORGAN GUARANTY LTD

BANQUE GENERALE DU LUXEMBOURG S.A.

BANQUE PARIBAS CAPITAL MARKETS Limited

CREDIT SUISSE FIRST BOSTON Limited

DEN DANSKE BANK

GENOSSENSCHAFTLICHE ZENTRALBANK AG

NEDERLANDSE CREDIETBANK N.V.

ORION ROYAL BANK Limited

RABOBANK NEDERLAND

YAMAICHI INTERNATIONAL (EUROPE) Limited

INTL. COMPANIES & FINANCE

Special gains lift Mitsubishi Heavy

By our Financial Staff
MITSUBISHI Heavy Industries, the Japanese shipbuilding and engineering group, achieved a 66 per cent increase in consolidated net profits to ¥94.36bn (\$413m) from ¥49.25bn in the year to March 31, 1985.

The company made clear that the main contributor to profits was the ¥103.4bn resulting from extraordinary items, including the liquidation of subsidiary stocks and asset disposals.

At the operating level, MHI continued to suffer from the high value of the yen against other currencies since last autumn's operating income was down to ¥124.4bn from ¥153.1bn a year earlier.

Profitability suffered especially in the motor vehicles division where exports form an especially high proportion of sales.

First-half rise in BIB profits
Bahrain International Bank (BIB) lifted net income to \$11.6m in the first half of 1986 from \$7.2m a year earlier.

The improvement came mainly from the good performance of the US bond market, but the bank expects earnings to return to normal levels as interest rates stabilise.

BIB forecasts profits for the full year well in excess of those for 1985, and expects to increase its dividend from the 6 per cent paid last year.

Sharp drop in earnings for Brazil's biggest bank

BY IVO DAWNAY IN RIO DE JANEIRO

BRASESCO, BRAZIL's largest banking and financial services conglomerate yesterday reported after-tax half-year profits of 1.54bn Cruzados (\$10m).

The bank declined to offer comparative figures for the same period last year however, following the February introduction of the Government's devaluation plan and the introduction of a new currency, the Cruzado.

But in dollar terms the outcome represents a substantial decline, with pre-tax profits falling from \$219m during the same period last year, to about \$150m for the six months just completed.

The accounts must be read in the light of inflation running at an annualised 500 per cent before the currency reform.

When it came to an abrupt halt, there has also been a huge shift in customers' accounts from term to demand deposits.

According to accountants Price Waterhouse, the result represents a reduction in profits of 45 per cent in real terms, which compared to the last half year, dividends have been cut by 65 per cent in real terms.

Total assets stood at Cr 1.06bn at end June. Deposits amounted to Cr 52.35bn of which Cr 47.46bn were sight deposits.

The overall surplus of credit operations was Cr 31.23bn. The bank has underlined in its report that it has not taken up any of the options to alter its accounting authorised by the government to ease the introduction of the anti-inflationary programme.

These allowed banks and finance houses to phase the inclusion of the substantial costs sustained by the changes, over three years.

Profits from loan operation fell by 85 per cent in real terms to Cr 6.2bn but earnings from banking charges — heavily increased by many banks since the economic adjustment — rose by 351 per cent to Cr 77m.

Brasdesco's investment banking activities produced after-tax profits of Cr 394m from holdings of Cr 10.16bn, a reduction of Cr 110m.

The bank claimed that it was involved in nearly three-quarters of all share issues registered by the Stock Exchange Commission during the half year.

Houston bank results improve

BY OUR FINANCIAL STAFF

FIRST CITY Bank Corporation of Texas, the Houston-based multibank holding company which has been hit by the problems of the state's energy industry, has reported improved profits and lower loan losses in the second quarter following a \$455.4m loss in the first three months of the year.

Net earnings in the latest quarter rose from \$14.6m or 31 cents a share to \$15.1m or 36 cents, although this includes a \$5.1m gain from the sale of the bank's data processing subsidiary.

For the first six months of 1986, the bank incurred a \$217m or \$6.90 a share loss, reflecting the \$275m loan loss provision in the first quarter.

In the first half of 1985, the company, whose lead bank is First City National Bank of Houston, made net profits of \$23.4m or 44 cents.

The provision for loan losses was \$18.7m in the second quarter, down sharply from \$45.3m a year earlier. This took the loan loss reserve to \$289.8m or 2.55 per cent of total loans at June 30.

Net loan charge-offs more than doubled to \$126.8m, mainly in the drilling and oil-field services sector, from \$52m in the second quarter of 1985.

Non-performing assets rose to \$671.5m at mid-year from \$648m on March 31 and \$513.2m in June 1985.

The company said the increase related "largely to loans that were put on our books in the 1979-81 era and were pushed into problem status by the sharp decline of oil prices this year."

Total loans fell to \$10.6bn from \$11.6bn in mid-1985, while deposits slipped to \$11.4bn from \$12.7bn.

The London financial services division, which acts on the financial futures market (Liffe) will become Elders Securities after Elders Finance Group unit had bought the financial futures and options operations of Noranda's Rudolf Wolf and Co, Reuter adds from London.

The forest products group, comprising mainly Noranda's controlling interest in Macmillan Bloedel, posted a substantial improvement because of rising pulp prices and better markets for solid wood products.

Forest products boost Noranda

BY ROBERT GIBBENS IN MONTREAL

AN UPSWING in forest products results in Canada and aluminium smelting and fabricating in the US helped to bring Noranda into the black for the second quarter and first half of this year.

The resource and manufacturing group has also been busy selling assets this year reducing its debt burden by about C\$1bn (US\$724m).

Noranda earned C\$26.8m or 12 cents a share in the second quarter against a loss of C\$14.4m a year earlier, on revenues little changed at C\$945m.

First-half earnings were C\$42.5m or 21 cents a share against a loss of C\$4.2m on revenues of C\$1.82bn, also little changed. The latest six-month results include a C\$26.5m gain on the sale of assets allowing for special write-downs.

The forest products group, comprising mainly Noranda's controlling interest in Macmillan Bloedel, posted a substantial improvement because of rising pulp prices and better markets for solid wood products.

Metals profits were down because of lower zinc prices and strikes at several plants.

Elders Finance Group unit had bought the financial futures and options operations of Noranda's Rudolf Wolf and Co, Reuter adds from London.

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BLADDEX
Banco Latinoamericano de Exportaciones, S.A.
(Latin American Export Bank)
(U.S. \$30,000,000 Floating Rate Notes Due 1991 with Warrants to Purchase 3,000,000 Shares of 8% Cumulative Participating Preferred Stock)
International Finance Corporation
Goldman Sachs International Corp.
Postbankpi Rabobank Nederland Yamaichi International (Europe) Limited
Banco de la Nación Argentina Banco do Brasil S.A. Midland Bank PLC
Nederlandsche Middenstandsbank N.V. Nomura International Limited
June, 1986

Company Notices
BANK HANDLOWY W. WARSZAWA S.A.
Registered Office: Warszawa 7-9 Warszawa (Poland)
FLOATING RATE NOTES 1979-1989
Series including the 351 bonds which were drawn on the second drawing by us dated 7 July 1986 representing together with the 1,500 repurchased bonds the total issue of US\$1,551,000,000 to be redeemed on 14 October 1989.

Obituary
JAMESON, On Friday, 4th July as a result of a road accident, David Jameson of Wexford, P.O. Box 10, Wexford, died aged 59 years.
Classified Advertisement Rates
Single column per line (min. 5 lines) £
Single column per line (min. 5 lines) \$
The Republic of France
In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 9th July, 1986 to 9th October, 1986, the Notes will bear interest at the rate of 10 1/8 per cent. per annum. Coupon No. 7 will therefore be payable at the rate of 2649.83 per coupon from 9th October, 1986.
S.G. Warburg & Co. Ltd.
Agent Bank

BROWN BROTHERS HARRIMAN & CO.
PRIVATE BANKERS
NEW YORK BOSTON PHILADELPHIA CHICAGO
ST. LOUIS LOS ANGELES DALLAS NAPLES
LONDON PARIS ZURICH TOKYO GRAND CAYMAN GIBNEY
STATEMENT OF CONDITION, JUNE 30, 1986
ASSETS
Cash and Due from Banks \$195,785,847
U.S. Government Securities 34,474,099
State and Municipal Securities 212,594,917
Federal Funds Sold 115,000,000
Loans and Discounts 895,951,028
Customers' Liability on Acceptances 16,304,838
Interest and Other Receivables 37,800,489
Premises and Equipment, net 18,278,437
Other Assets 8,674,105
\$634,724,111
LIABILITIES
Deposits \$912,788,549
Federal Funds Purchased 17,450,000
Acceptances, Less Amount in Portfolio 16,784,838
Accrued Expenses 12,800,573
Other Liabilities 13,162,151
Capital 24,000,000
Surplus 27,840,000
\$634,724,111
PARTNERS
J. Eugene Banks John C. Hanson William H. Moore III
Peter B. Bortnick Noah T. Hammond Donald B. Murphy
Walter H. Brown Landon Hillard III Eugene C. Rennie
Gregory Cookson Frank W. Hoch William F. Roy
Alan Crawford, Jr. R. L. Ireland III Robert V. Rouse
William R. Driver, Jr. F. H. Kingsbury, Jr. L. Parks Shipley
Anthony T. Erdlers Michael P. Towles Stanley P. Towles
Alexander T. Erdleritz T. Michael Long Lawrence C. Tucker
T. M. Farley John B. Mackden Maarten van Hengal
Bridget T. Gerry John C. West Laurence F. Whitehouse
Bridget T. Gerry, Jr. Michael W. McConnell
LIMITED PARTNERS
W. Averil Harriman Gerry Brothers & Co.
Kate Ireland Robert E. Hunter, Jr.
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COMPLETE BANKING FACILITIES AND INVESTMENT SERVICES
Deposit Accounts • Commercial Loans and Discounts
Commercial Letters of Credit and Acceptances • Foreign Exchange
Domestic and International Corporate Financial Counseling
Merger and Acquisition Services
Custody of Securities
Investment Advisory Service
Institutional Investment Services
Personal Financial Services
Brokers for Purchase and Sale of Securities
Members of Principal Stock Exchanges
Fiduciary services are provided through Brown Brothers Harriman Trust Company, New York, and Brown Brothers Harriman Trust Company of Florida, Naples.

NORTH AMERICAN RESULTS
Table with 3 columns: Company Name, 1986 Q2, 1985 Q2, 1986 Q1.
Companies include: COLT INDUSTRIES, AUTOMOTIVE, aerospace parts; WALSHEM Retailing; FLEET FINANCIAL Banking, financial services; LUDLAW TRANSPORTATION Bus lines; HUBBERMANN Plastics and rubber products; TELEDYNE Engines, metals, electronics; THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK.

All of these securities having been sold, this announcement appears solely for purposes of information.
June 23, 1986
NEW ISSUE
The Standard Oil Company
37,500 Oil Indexed Units
Consisting of
\$300,000,000 6.30% Debentures Due 2001
\$37,500,000 Oil Indexed Notes Due 1990
\$37,500,000 Oil Indexed Notes Due 1992
The Debentures and Notes are being offered in Units, each of which consists of eight Debentures of \$1,000 principal amount each, one Oil Indexed Note Due 1990 and one Oil Indexed Note Due 1992 of \$1,000 principal amount each. The Debentures and Notes will be issued only in registered form and will not be separately transferable until after July 31, 1986, or such earlier date as may be determined by the Underwriters with the concurrence of the Company.
The First Boston Corporation
Lazard Frères & Co.

INTERNATIONAL COMPANIES and FINANCE

Dealers discuss radical plans for trading reforms

BY ALEXANDER NICOLL

MORE THAN 100 firms making markets in the secondary Euro-bond market...

Moody's may lower Australia's debt rating

By Peter Montagnon, Euromarkets Correspondent

AUSTRALIAN ISSUES suffered heavy losses in secondary Euro-bond market trading yesterday...

Japanese dominate fixed-rate sector

BY CLARE FEARSON

ISSUES of fixed-rate Eurobonds resumed yesterday, and three new dollar, and two sterling, fixed-rate Eurobonds surfaced...

There are 75,000 warrants which can be exercised into a potential \$75m of bonds...

Euromarket attracts US states

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

US STATE and local governments are turning attention to the international capital markets as a source of funds...

Commonwealth of Australia issues in the Eurodollar bond market were marked down...

Foreign banks bolster German bond issue

BY OUR EUROMARKETS STAFF

THE WEST German government's first bond issue since foreign banks have been admitted to the underwriting consortium...

higher returns available on paper issued by individual West German states, have recently combined to force domestic interest to negligible levels...

Lending growth focused mainly on short term

By our Euromarkets Correspondent

THE STRONG expansion of international bank lending in the second half of last year was heavily concentrated in the short term...

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 10

Table with columns for Bond Name, Issued, Maturity, Yield, and Price. Includes sections for US DOLLAR, OTHER STRAIGHTS, CONVERTIBLES, and SWISS FRANCS.

Woolwich Equitable Building Society advertisement. Features a large 'W' logo and text: '£50,000,000 Fully Drawn Term Loan with Transferable Advances'. Lists participants: Credit Suisse, Morgan Guaranty Trust Company of New York, etc.

FINANCIAL TIMES Europe's Business Newspaper

FUTURE OF WORK Publication Date: Thursday July 24 Copy Date: Tuesday July 8 The Financial Times will now publish its survey on the above...

THE PROPERTY MARKET BY WILLIAM COCHRANE

BRAZIL

Prospects for investment

BRAZIL'S commercial property market has been a success for years by the standards of other Latin American countries. The immaturity of the local constitutional system could come of age in the next few years according to Michael Ellis, a man in Sao Paulo, Tony McVeigh, developer, will witness the transformation of Brazil's commercial property investment market from a private investor/owner-occupier base to an institutional market, he said in London this week. "It will radically alter the quality of properties—I hope for the better."

He expects to see, for the first time ever, major involvement by the international banking community, largely due to the method by which Brazil rescheduled its international debt.

Essentially, he said, in 1982 Brazil's central bank took control of all private debt, whether public or private and is making repayments according to its own schedule, leaving many international banks with effectively hundreds of millions of dollars lodged with the central bank at low return.

"They could leave it with the central bank or make the famous debt to equity switch," says Mr McVeigh. One of the most easily understood ways of achieving the latter, he notes, is through investment in real estate.

that in 1987 some of them will get involved in the property business," he says.

The next line of argument is on the evolution of the institutional market. In 1978, says Mr McVeigh, legislation was enacted in Brazil giving birth to registered pension funds.

"The first thing the parent companies of the funds did, he said, was to shift over from their own balance sheets various properties to become the assets of the pension funds—effecting sale and leaseback transactions almost invariably on the basis of a nominal initial monthly return of one per cent.

"The monthly basis was because inflation was running at 100 per cent a year, or six per cent per month compound. Unusually, the funds got their monetary corrections on a six-month or annual basis. Mr McVeigh calculates that the real return to the funds was around nine per cent, or 7 1/2 per cent respectively—falling as inflation rose to between six and 7 1/2 per cent on average in the early years.

In those years, he says, the funds made no investment market in property. "It was all in-house." However, he observes, in 1984 they started acquiring property rented to third parties; in 1984 this trend was confirmed by several transactions involving different pension funds.

"In 1984, also," he says, "it became clear that the funds' preference was for modern office property with the

occasional acquisition of part-interests in shopping centres."

He says that there are relatively few investment grade office properties in Brazil. Since 1966, Ellis calculates, there have been 408 office blocks of more than 1,000 sq metres built in Sao Paulo of which 17, in their opinion, are of institutional investment quality.

However, Mr McVeigh argues that it is the nature of pension funds, the world over, to stimulate the quality of office buildings—improving in general the specifications and layouts, whatever reservations he might have about architectural quality.

Summing up, he sees banks joining pension funds in the property market. "In a couple of years' time, we could see the market underpinned by two different types of institutional investor," he concludes.

Meanwhile, Ellis is still taping the private investment market, with the sale of a further office investment building in the Sao Paulo Office Park.

It acted on behalf of Arbi, representing Brazilian Niviere Rafael Birmann; Brasrow, which involves US developers Trammell Crow, and Credul, the investment banking outfit of Citibank.

The 3,200 sq metre building is occupied by Poliolefinas, a Brazilian company whose major shareholders are National Distillers of the US and the Brazilian oil company, Petrobras.

LET goes shopping on Reading site

LONDON and Edinburgh Trust this week dismissed suggestions that its change of plan for the Courage Brewery site at Reading—chopping the office element back, and bringing in a major retail scheme—were in any way a reaction to proposed changes in planning law.

Revisions in use class legislation, now approved at Government level, would make it easier to have campus offices on the periphery of congested towns like Reading, which is admirably served by the M4, and relieve the pressure for office development in the centre.

LET director John Newman said that the company had been working on its retail plan for the site for the past 18 months with ideas in mind before that. "It acquired the site from Courage in April of last year and it had been talking to Reading council about the retail scheme for nine months."

It had to LET is not only changing, but expanding its scheme, and proposing to expand the site to eight acres. Not all of the land is in the company's ownership; other major landowners include the local authority, and John Lewis.

100,000 sq ft of offices under construction in phase one of the development, Bridge Street Plaza, which are due for completion next January.

Mr Newman said that the existing planning situation is consent "in principle" for around 230,000 sq ft of offices. However, the company says that its new plan is possibly Reading's last chance to take pole position in the Thames Valley retailing field.

LET sees the Courage site as an effective extension of Reading's prime retailing pitch on Broad Street. It acknowledges the congestion in the town centre, but says that its new plans would add 1,100 new car parking spaces to the existing provision, making 1,900 in total on this site alone.

Local, professional reaction to the new scheme tends to be favourable. Reading, located 40 miles west of central London, has been a choice location for decentralised offices; and it is paying the price in rush hour traffic jams in and out of town. Shopping, in theory, would produce a different traffic pattern.

There is an existing covered shopping centre, The Butts, which is a long-term candidate for refurbishment. But it is off-pitch, say local observers, and no real competition for the LET scheme.

Hotels proposition by JLW

JONES LANG WOOTTON have produced a new index of hotel values which has outperformed their commercial property index over a 15-year period. They note, however, that hotels are difficult, or risky, to invest in directly.

In their latest occasional paper, JLW examine the Central London luxury hotel market up to the end of 1985, and suggest a way of minimising its investment drawbacks.

They have drawn up a model proposition which recognises that the return on an hotel investment is dependent on both the real estate and the management.

They suggest allowing the hotel operator to retain a limited interest in the hotel; the investor would get a suitable basic return on the investment in the real estate element, with a top up rent computed on the profitability of the operation.

The firm notes, by the way, arguments that the current hotel market is "dangerously overpriced," that purchase yields which had varied from 13 to 25 per cent over the last 15 years dropped to 10.4 per cent in 1984 and to single digits in 1985.

Despite the, and fewer American visitors in 1986, they believe that the industry now has a strong base.

Prime Frankfurt site acquired

FIFTEEN YEARS in Europe, Stephen Cotton is now based in London as a consultant to George Trollope & Sons but he still gets 70 per cent of his business from the Continent.

"Proof of the pudding," as he puts it, is the Bayerische Vereinsbank acquisition for around DM 60m (£24m) of a 3,500 sq m development site at Mainzer Landstrasse 23 in Frankfurt's prime banking district from Mainzerland BV, a Dutch investment company.

The site was originally put together by Gabriel Harrison's AIP in the boom years of the early 1970s. Planning permission has recently been obtained for a headquarters banking building in excess of 25,000 sq metres (270,000 sq ft).

George Trollope & Sons, Frankfurt agents Metro-pol advised the Bayerische Vereinsbank on the acquisition.

Three institutions—Friends' Provident Life Office, Royal Trust Company of Canada and United Gulf—and the Department of Trade and Industry have funded a revolutionary new database run by Michael Nicholson, a chartered surveyor and former partner of Knight Frank & Rutley.

No index merchant, Mr Nicholson aims through his Focus service to provide a

single reference point for published information about commercial property in the UK—from sources like the press, company reports, mortgage debenture stock trust deeds, and so on.

"We make no value judgments at all," he said at yesterday's London launch. Subscribers at the time of launch numbered about 40. Focus is published by Property Intelligence at Ingrams House, 13-15 John Adam Street, London WC2N 6LD (tel: 01-839 7884).

Debenham Tewson & Chinnock's note that bank advances to property companies were only £44m in the three months to May compared with £1.9m in the year to February. They say that foreign banks are now the major force in property loans; and that a net repayment of nearly £200m over the last quarter to the overseas banks may reflect the very successful letting record in Central London, and the innovative refinancing of short term development loans on some of the City of London's major developments.

Hunting Gate's 189,000 sq ft Keywest development on the Southern Industrial Estate, Bracknell, not a favourite of local observers, has been let to Dorothy Perkins, a subsidiary of the Burton Group, for a new UK distribution centre.

Company Notices

Asahi Chemical Industry Limited

INTERNATIONAL DEPOSITARY RECEIPT issued by Morgan Guaranty Trust Company of New York Brussels Office

A distribution of \$0.36588 per depositary share less any applicable taxes will be payable on or after July 15, 1986 upon presentation of Coupon No. 25 at the following offices:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK AT:

- New York, 30, West Broadway
- London, 1, Angel Court
- Brussels, 35, Avenue des Arts
- Paris, 14, Place Vendôme
- Frankfurt, 46, Mainzer Landstrasse

BANQUE GENERALE DU LUXEMBOURG, 14, rue Aldringen, Luxembourg

Net rate:

- \$0.211 (after deduction of 15% Japanese withholding tax).
- \$0.2927 (after deduction of 20% Japanese withholding tax).

Mitsubishi Electric Corporation

INTERNATIONAL DEPOSITARY RECEIPTS issued by Morgan Guaranty Trust Company of New York Brussels Office

A distribution of \$2.428 per depositary share less any applicable taxes will be payable on or after July 15, 1986 upon presentation of Coupon No. 31 at the following offices:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK AT:

- New York, 30, West Broadway
- London, 1, Angel Court
- Brussels, 35, Avenue des Arts
- Paris, 14, Place Vendôme
- Frankfurt, 46, Mainzer Landstrasse

CREDIT INDUSTRIEL D'ALSACE ET DE LORRAINE, 103, Grand-Rue, Luxembourg

Net rate:

- \$2.064 (after deduction of 15% Japanese withholding tax).
- \$1.942 (after deduction of 20% Japanese withholding tax).

CAISSE CENTRALE DE COOPERATION ECONOMIQUE

Loan of US\$50,000,000 Floating Rates 1978/1979 Unconditionally Guaranteed by the French State

We inform Bondholders that the US\$3,330,000 instalment due for amortisation on August 13, 1986 has been met by a draw by lot in the presence of Messrs Jeanne Housse, Notary Public in Luxembourg.

Consequently, the 3,330 bonds of US\$1,000,000 numbered: 1,762 to 5,092 inclusive, will be redeemable at par, coupon no. 17 and subsequent interest, as from August 13, 1986, date at which they will cease to bear interest. Redemption of bonds and payment of interests will take place at the following dates:

- CREDIT LYONNAIS, Luxembourg
- BANKERS TRUST COMPANY, New York
- BANQUE BRUXELLES LAURENT SA, Brussels
- BANQUE NATIONALE DE PARIS, Paris
- COMMERCIALEKARTENGESELLSCHAFT, Frankfurt
- CREDIT LYONNAIS, London
- CREDIT SUISSE, Zurich

Outstanding amount after this third amortisation: US\$40,010,000

The Fiscal Agent: CREDIT LYONNAIS, LUXEMBOURG

CHEMICAL NEW YORK CORPORATION

\$250,000,000 Floating Rate Subordinated Capital Notes due October 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from July 9th, 1986 to October 9th, 1986 the Notes carry an interest rate of 6 1/2 per cent per annum. The interest payable on the relevant interest payment date, October 9th, 1986, against Coupon No. 4 will be \$870.49 per \$50,000 Note.

Agent Bank: CHEMICAL BANK

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Planning permission for a mixed high technology light industrial and warehousing development totalling 322,074 sq. ft.

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01-408 1161

This announcement appears as a matter of record only

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Chartered Surveyors
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International Property

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Excellent development opportunity

FREEHOLD FOR SALE

Approximately 31 hectares site overlooking and adjacent to the sea and newly completed marina.

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All or part of the shares of a Property Investment Company whose sole asset is a brand new first class Shop and Hotel Development in a top class location in the centre of Amsterdam. The whole is let on long leases to a well-known Swiss hotel group and to retailers of good standing. Total base value of the order £5,400,000 (net of £1,400,000 as previously stated).

Principals only are requested to contact retained consultant valuers

BERNARD THORPE AND PARTNERS
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at 19-24 Saint George Street, Hanover Square, London W1R 0PT
Telex: 887328, in the first instance

EDWARDSYMMONS & PARTNERS

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Anywhere in the UK considered
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London EC4A 4BY

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A WELL LOCATED office site in North Harrow comprising of some 800 sq. ft. of office space and 22,000 sq. ft. of warehouse space being offered for sale by way of a lease. The site is situated on the A501, between Harrow and Ruislip. Tel: 01-887 4322.

NEW BUILDING, urgently required, 2000 sq. ft. with excellent car parking facilities. The building is modern, well equipped and has a full range of services. Tel: 01-887 4322.

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All Services including Sprinklers, Ex. Cond.

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10 Cannon Street, London EC4A 4BY

UK COMPANY NEWS

ISSUE NEWS

London United in £24m rights to expand Walbrook

BY RICHARD TOMKINS

London United Investments is launching a second rights issue...

significantly higher level of premium income...

The consequent shakeout in the sector as some companies withdrew...



Although in the early 1980s profitability from property and casualty insurance was denied...

More recently, a power transmission division was set up in 1982 to produce complete electric motor systems...

Anglia Homes USM placing

BY RICHARD TOMKINS

Anglia Secure Homes today follows The Shield Group as the second bidder to join the unlisted securities market...

cent of the enlarged equity, at 115p a share. Nearly all the proceeds are going to the company and will be used to buy more sites for development.

the company is forecasting profits of £800,000, putting the shares on a prospective p/e ratio of 15.8.

Full listing for Stanley Leisure

BY RICHARD TOMKINS

Stanley Leisure Organisation is joining the main market following a placing of a quarter of its equity...

Leonard Steinberg, chairman, started the company with two betting shops in Belfast in the late 1950s.

largest chain in the UK operating under the Stanley Leisure banner. There are 53 shops in Merseyside, 22 in the Midlands, 20 in Yorkshire, 14 in Northern Ireland and three in the Isle of Man.

Fletcher Denny joins unlisted market

BY PHILIP COGGAN

Fletcher Denny Systems, a microcomputer systems dealer founded by former ICL employees, is joining the USM...

trend by concentrating on supplying IBM equipment and by emphasising customer services...

In the year to March 31 1986, the group earned £403,000 pre-tax on turnover of £8.95m which after the actual tax charge of 40 per cent...

Harrison Industries valued at £18m

By Richard Tomkins

Harrison Industries, a holding company who main activity is making industrial doors, today publishes the prospectus for an offer for sale...

Mr Ken Harrison, the merchant bank is offering 3.5m shares - about 28 per cent of the enlarged equity - at 150p a share...

More recently, a power transmission division was set up in 1982 to produce complete electric motor systems...

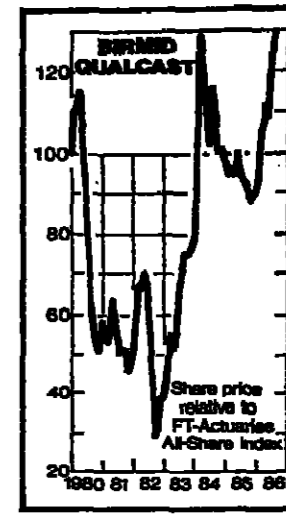
Birmid Qualcast profits exceed City estimates by almost £1m

FIRST HALF pre-tax profits from Birmid Qualcast exceeded the market's estimates by almost £1m.

The profit for the six months ended May 31 1986, rose from £3.88m to £5.14m, reflecting increased demand in central heating...

Operating profit advanced by £2.2m to £7.06m while net interest payable was reduced by £258,000 to £237,000.

provide 50 per cent of turnover but 75 per cent of profits - is now established as the core growth area...



Golden Dumps (PROPRIETARY) LIMITED

Reports of the directors for the quarter ended 30 June 1986

Table with financial results for Consolidated Modderfontein Mines Limited, including operating results, financial results, development, and capital expenditure.

Table with financial results for South Roodeport Main Reef Areas Limited, including operating results, financial results, development, and capital expenditure.

SPRINGS DAGGA GOLD MINES LIMITED

Table with financial results for Springs Dagga Gold Mines Limited, including operating results, development, and capital expenditure.

DECLARATION OF FINAL DIVIDENDS

Table detailing the declaration of final dividends for Consolidated Modderfontein Mines Limited and South Roodeport Main Reef Areas Limited.

Windsmoor offer oversubscribed

The offer for sale of shares in Windsmoor, the fashion house seeking a full listing, seemed likely last night to have been oversubscribed...

BOARD MEETINGS

Table listing board meetings for various companies including British Energy, Canadian Pacific, and others.

Advertisement for Anglia Secure Homes PLC, including details about share capital, authorized shares, and contact information for Cayzer Limited and Phillips & Drew.

Handwritten text in a box at the top center of the page.

FT UNIT TRUST INFORMATION SERVICE

EQUITIES

Table of equity prices with columns for Name, Price, Change, and other financial metrics.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Name, Price, Change, and other financial metrics.

"RIGHTS" OFFERS

Table of rights offers with columns for Name, Price, Change, and other financial metrics.

AUTHORISED UNIT TRUSTS

Main table of authorized unit trusts, organized into columns by fund name, price, and other details.

Can Europe catch up? A bound reprint of a series of articles 'Can Europe catch up?' and 'Towards a Free Trade Community'...

F.T. Crossword Puzzle No. 6,070

Crossword puzzle grid with numbers indicating starting positions for words.

- Across: 1 Oceanic movement puts people in stir (7); 2 For a clever scientist, fake diamonds take half an hour (5); 3 Beg prince to take escort (5); 4 Former marriages of Supple's also fastened (3); 5 Means of fastening lid of beans when serving (9); 6 Live and prosper with love (5); 7 Some people put a braface on it (5); 8 Oval feature has rent advanced even more (3); 9 Chief breadmaker (3); 10 Time called in bars (5); 11 Swift strike around Perth (5); 12 Defence not suitable with constructing prisons (9); 13 For this selection of things need piano in RPO tonight (6); 14 River-trip last to first (4); 15 Dry? Try this cocktail (7); 16 Heat spirit for a long time (7); 17 Job on radio, improving string quality (5); 18 Obliterate some of the camera's errors (5); 19 One who takes stock of others (7); 20 Wandering like the average doctor, love us (9); 21 Relating to dress, a tailor's keeping right inside (9); 22 Lower our carriage (9); 23 Low wall to appear out of place on edge of pavement (7); 24 One is keyed up to get into steel band (3-4); 25 Dish of cooked tripe (5); 26 Shabby tender endlessly on railway (9); 27 Relaxes strain of rough seas by point (5).

Solution to Puzzle No. 6,069: A crossword puzzle solution grid with words filled in.

AUTHORISED UNIT TRUSTS & INSURANCES

Table listing various unit trusts and insurance companies, including Wards Unit Trust Managers Ltd, Westwood Asset Management Ltd, and Westwood Unit Trust Managers Ltd.

INSURANCES

Table listing various insurance companies and their products, including AA Friendly Society, Abbey Life Assurance Co Ltd, and Aetna Life Insurance Co Ltd.

Table listing various unit trusts and insurance companies, including Eagle Star Insurance, Equitable Life Assurance Society, and Halifax Life Assurance.

Table listing various unit trusts and insurance companies, including London & Manchester Group, National Mutual of Australia, and National Provident Institution.

Table listing various unit trusts and insurance companies, including Prudential Life Assurance, Royal Life Insurance, and Standard Life Assurance.

Table listing various unit trusts and insurance companies, including Sun Life of Canada, Swiss Life, and Zurich American Life Insurance.

Handwritten signature or mark at the bottom of the page.

COMMODITIES AND AGRICULTURE

Chernobyl lamb controls reduced

BY MAX WILKINSON, RESOURCES EDITOR

MR MICHAEL JOPLING, the UK Agriculture Minister, yesterday announced that restrictions on the movement and slaughter of lambs are to be lifted in a further part of Cumbria.

Three times the level which triggered action by the ministry to prevent lambs coming to the market, most scientists consider that even the higher levels now being recorded are below those which would represent a serious health risk.

British housewife had shown confidence in lamb with prices this week "rather higher" than at the same time last year.

The NFU has told Mr Jopling that it is too early to estimate the extent of the loss which farmers will eventually suffer.

Cocoa pact hopes rest on Ivory Coast

BY WILLIAM DULLFORCE IN GENEVA

THE IVORY COAST agriculture minister, Mr Denis Bra Kanon, was due to fly into Geneva yesterday evening where he may well decide the outcome of the negotiations on a new International Cocoa Agreement.

Richard Thomas, their spokesman, said. The two sides decided yesterday to extend the conference into next week, setting Wednesday as a deadline for assessing "future action."

It is evident that the consumer's proposal would permit under normal market conditions fairly frequent price adjustments. The Ivory Coast is understood to want an agreement allowing for no more than one price adjustment a year in addition to that permitted at the annual review.

The EEC Commission may be able to juggle the elements in the price adjustment package but Community countries such as Britain, West Germany and the Netherlands are unlikely to accept a major revision.

US copper workers agree pay cuts

BY DAVID OWEN IN CHICAGO

US COPPER workers at Kennecott and Asarco have approved new labour contracts, which will reduce overall remuneration packages considerably.

The deal should enable Kennecott to continue with its Utah copper division, including the biggest open cast copper mine in the world at Bingham Canyon.

recovered some of its accumulated near \$70m losses over the past four years.

Oil prices up in US, down in Europe

John Elliott on efforts to boost domestic milk production India's controversial dairy revolution

THE EEC is expected to decide in the next few months to provide 75,000 tonnes of skimmed milk powder and 25,000 tonnes of whole milk powder to help finance the third and final phase of the country's Operation Flood programme of co-operative dairy development.

Opponents of the programme are considering doing so. But although the programme is reducing the reliance on imports and is regarded as successful by India, which is the world's third largest milk producer after the US and the Soviet Union, co-operatives only account for 2 per cent of the country's milk production.

Mr Kurien insists that the powder is not being dumped because he sells it at prices which will not undercut domestic producers.

warehouses, 77 dairy plants, 17 cattle feed factories, 12 stud farms, one animal vaccine centre, and extensive veterinary services.



Its aim is to use money raised by selling food aid, plus the soft loans, to finance the development of India's milk production, harnessing the output of millions of cows and buffaloes owned in one, and two by individual families, as well as larger herds. Co-operatives then supply milk through marketing operations to the major urban areas of India.

They allege that the programme is making India permanently dependent on imported dairy products, that surplus milk powder is being dumped by the EEC and is undercutting India producers, and that poor farmers suffer, and that efforts to breed high grade animals are doomed.

Dr Kurien denies these criticisms. The EEC recognises that the points need examining and is sending a joint evaluation committee with the World Bank to India this month to prepare a report.

It also earns funds which are then used to finance dairy developments.

LONDON MARKETS

COCOA PRICES rose quite strongly on the London futures market yesterday reflecting improving hopes that the current negotiating session in Geneva will result in agreement on an effective price-supporting international cocoa pact.

INDICES

Table with columns for REUTERS, DOW JONES, and other indices with their respective values.

MAIN PRICE CHANGES

Table showing price changes for various commodities like metals, oil, and grains.

US MARKETS

Table showing US market prices for crude oil, platinum, silver, and sugar.

ALUMINIUM

Table with columns for Unofficial, High/Low, and other price data for aluminium.

COPPER

Table with columns for Unofficial, High/Low, and other price data for copper.

LEAD

Table with columns for Unofficial, High/Low, and other price data for lead.

TIN

Table with columns for Unofficial, High/Low, and other price data for tin.

ZINC

Table with columns for Unofficial, High/Low, and other price data for zinc.

NICKEL

Table with columns for Unofficial, High/Low, and other price data for nickel.

TIN

Table with columns for Unofficial, High/Low, and other price data for tin.

ZINC

Table with columns for Unofficial, High/Low, and other price data for zinc.

GOLD

Table with columns for Unofficial, High/Low, and other price data for gold.

SILVER

Table with columns for Unofficial, High/Low, and other price data for silver.

MEAT

Table with columns for Unofficial, High/Low, and other price data for meat.

LIVE CATTLE

Table with columns for Unofficial, High/Low, and other price data for live cattle.

NEW YORK

Table with columns for Unofficial, High/Low, and other price data for New York markets.

CHICAGO

Table with columns for Unofficial, High/Low, and other price data for Chicago markets.

COTTON

Table with columns for Unofficial, High/Low, and other price data for cotton.

SOYABEAN MEAL

Table with columns for Unofficial, High/Low, and other price data for soyabean meal.

SOYABEAN OIL

Table with columns for Unofficial, High/Low, and other price data for soyabean oil.

CRUDE OIL

Table with columns for Unofficial, High/Low, and other price data for crude oil.

GRAINS

Table with columns for Unofficial, High/Low, and other price data for grains.

WHEAT

Table with columns for Unofficial, High/Low, and other price data for wheat.

BARLEY

Table with columns for Unofficial, High/Low, and other price data for barley.

POTATOES

Table with columns for Unofficial, High/Low, and other price data for potatoes.

SUGAR

Table with columns for Unofficial, High/Low, and other price data for sugar.

RUBBER

Table with columns for Unofficial, High/Low, and other price data for rubber.

CRUDE OIL

Table with columns for Unofficial, High/Low, and other price data for crude oil.

PLATINUM

Table with columns for Unofficial, High/Low, and other price data for platinum.

SILVER

Table with columns for Unofficial, High/Low, and other price data for silver.

SUGAR

Table with columns for Unofficial, High/Low, and other price data for sugar.

SOYABEAN MEAL

Table with columns for Unofficial, High/Low, and other price data for soyabean meal.

SOYABEAN OIL

Table with columns for Unofficial, High/Low, and other price data for soyabean oil.

CRUDE OIL

Table with columns for Unofficial, High/Low, and other price data for crude oil.

GRAINS

Table with columns for Unofficial, High/Low, and other price data for grains.

WHEAT

Table with columns for Unofficial, High/Low, and other price data for wheat.

BARLEY

Table with columns for Unofficial, High/Low, and other price data for barley.

POTATOES

Table with columns for Unofficial, High/Low, and other price data for potatoes.

SUGAR

Table with columns for Unofficial, High/Low, and other price data for sugar.

RUBBER

Table with columns for Unofficial, High/Low, and other price data for rubber.

SAFETY STANDARD FOR MATTRESSES

A STANDARD backed by legislation to make mattresses resistant to smouldering cigarettes, was announced yesterday by Mr Michael Howard, Consumer Minister.

SAFETY STANDARD FOR MATTRESSES

Specifications drawn up by the National Bedding Federation would be reinforced by the publication of a British Standard method of testing, he said.

SAFETY STANDARD FOR MATTRESSES

Mr Howard said: "By the end of the year, the great majority of mattresses on sale in this country will be resistant to ignition by a smouldering cigarette."

SAFETY STANDARD FOR MATTRESSES

Specifications drawn up by the National Bedding Federation would be reinforced by the publication of a British Standard method of testing, he said.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar narrowly weaker

The dollar was down from Wednesday's closing levels yesterday but remained within its recent trading range. Once again attention focused on the timing of a possible cut in the US discount rate. Dealers were reluctant to push the dollar outside a range of DM 2.16 to DM 2.19 against the D-Mark, being buoyed on one side by fears of central bank intervention and on the other by a general feeling that US rates have to fall in order to stimulate economic growth.

£ IN NEW YORK

The pound was down from Wednesday's closing levels yesterday but remained within its recent trading range. Once again attention focused on the timing of a possible cut in the US discount rate. Dealers were reluctant to push the dollar outside a range of DM 2.16 to DM 2.19 against the D-Mark, being buoyed on one side by fears of central bank intervention and on the other by a general feeling that US rates have to fall in order to stimulate economic growth.

24716 to 21648. June average 23320. Exchange rate index 126.0. Against 121.5 six months ago. Trading was rather quiet and lacklustre in Frankfurt yesterday. While dealers were expecting a cut in the US discount rate, there were severe reservations about pushing the dollar beyond its recent trading range for fear of prompting central bank intervention. The dollar was fixed at DM 2.1749 against DM 2.1768 with any intervention by the Bundesbank and closed at DM 2.1730 from DM 2.1810.

FINANCIAL FUTURES

Gilts weaker

Sterling denominated interest rate contracts weakened on the London International Financial Futures Exchange yesterday. Long term gilt futures for September delivery opened firmer at 123-14, underpinned by the strength of the US bond market overnight. News that Mr Satoshi Sumita, Governor of the Bank of Japan, was to hold a press conference pushed prices up sharply on hopes of lower interest rates. September gilts touched a peak of 123-18, but then fell back after Mr Sumita said he had no plans to cut the Japanese discount rate from 3.5 per cent, adding that monetary policy has been eased enough and interest rates are at record lows.

The D-Mark put further downward pressure on the contract. It fell to a low of 121-31, and closed at 122-02, compared with 123-03 previously. In the afternoon Mr Larry Speakes, a spokesman for the White House, denied the Reagan Administration is putting pressure on the Federal Reserve to cut its discount rate. Although the comments from Tokyo did depress interest rates, US Treasury bond futures recovered, to close at 100-04 for September delivery, after touching 99-21.

POUND SPOT - FORWARD AGAINST POUND

Table with columns: Day's Close, One month, Three months, Six months, One year. Rows include US, Canada, Belgium, Denmark, France, Germany, Italy, Japan, Portugal, Spain, Sweden, Switzerland, UK.

CURRENCY MOVEMENTS

Table with columns: Bank of England, Morgan Guaranty, Deutsche Bank, etc. Rows include Sterling, US dollar, French franc, etc.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table with columns: Day's Close, One month, Three months, Six months, One year. Rows include UK, Ireland, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Portugal, Spain, Sweden, Switzerland, US.

CURRENCY RATES

Table with columns: Bank of England, Morgan Guaranty, Deutsche Bank, etc. Rows include Sterling, US dollar, French franc, etc.

EXCHANGE CROSS-RATES

Table with columns: Yen, DM, SFR, HFL, Lira, etc. Rows include Yen, DM, SFR, HFL, Lira, etc.

OTHER CURRENCIES

Table with columns: Argentina, Australia, Canada, etc. Rows include Argentina, Australia, Canada, etc.

EURO CURRENCY INTEREST RATES

Table with columns: Short, 7 Days, 1 Month, 3 Months, 6 Months, One Year. Rows include Sterling, US dollar, etc.

STERLING INDEX

Table with columns: 3.30 am, 9.00 am, 10.00 am, 11.00 am, Noon, 2.00 pm, 3.00 pm, 4.00 pm. Rows include Sterling index values.

MONEY MARKETS

Lower pound underpins London rates

Sterling's weakness on the foreign exchange created a slightly nervous mood on the London money market yesterday, but the net result was to further set back the prospects of lower UK bank rates rather than put any significant upward pressure on the market. Three-month sterling interbank finished unchanged at 10.10 per cent.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Currency, Value of Dollar, etc. Rows include Belgium, France, Germany, etc.

NEW YORK RATES

Table with columns: Prime rate, Broker loan rate, Fed funds at intervention, Treasury Bills and Bonds, etc. Rows include Prime rate, Broker loan rate, etc.

FT LONDON INTERBANK FIXING

Table with columns: Three months US dollars, Six months US dollars, etc. Rows include Three months US dollars, Six months US dollars, etc.

MONEY RATES

Table with columns: July 10, One month, Three months, Six months, One year. Rows include Frankfurt, Zurich, Tokyo, etc.

LONDON MONEY RATES

Table with columns: July 10, One month, Three months, Six months, One year. Rows include Interbank, Sterling CD, etc.

BEAT DJI BY 300%
\$1 Million has grown to over \$2 Million with Income & Profits
Notwithstanding the Conventions
1979-1985 without leverage or market timing.

Legal Notices
THE COMPANIES ACT 1985
HENRY LIMITED
NOTICE IS HEREBY GIVEN, pursuant to Section 268 of the Companies Act 1985, that a Meeting of the Creditors of the above-named Company will be held at 1 Parkhead Buildings, Gray's Inn, London, WPC1 8BN on the 14th day of July 1986 at 3.00 in the afternoon, for the purpose mentioned in Section 268 and 269 of the said Act.

Company Notices
NOTICE OF REDEMPTION
KINGDOM OF DENMARK
6 1/2% 1972-1987
Flux 800,000,000
Bondholders are hereby informed that the annual redemption instalment of Lux.Fr. 800,000,000 on August 14, 1986 has been effected by drawing lots.

CITY FEDERAL SAVINGS AND LOAN ASSOCIATION HAS BECOME CITY FEDERAL SAVINGS BANK
Effective February 1, 1986, City Federal Savings and Loan Association of Luxembourg (USA) changed its name to City Federal Savings Bank Luxembourg. The name change was approved by the Luxembourg authorities and the City Federal Savings Bank Luxembourg is now a member of the Federal Reserve Bank Board.

THE ROYAL BANK OF CANADA
US\$500,000,000
Floating Rate Debentures due 2005
In accordance with the terms and conditions of the Debentures, the interest rate for the period July 14, 1986 to August 14, 1986 has been fixed at 6 1/2 per cent per annum.

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
US\$500,000,000 FLOATING RATE
SERIAL NOTES DUE 1990
In accordance with the terms and conditions of the Debentures, the interest rate for the period July 14, 1986 to August 14, 1986 has been fixed at 6 1/2 per cent per annum.

BRITISH FUNDS

Table of British Funds with columns for High/Low, Stock, Price, Dividend, and Yield. Includes sections for 'Shorts' (Lives up to Five Years) and 'Over Fifteen Years'.

AMERICANS - Cont.

Table of American Stocks with columns for High/Low, Stock, Price, Dividend, and Yield. Includes sections for 'CANADIANS' and 'BANKS, HP & LEASING'.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, and Roads stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

ENGINEERING - Continued

Table of Engineering stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

INDUSTRIALS - Continued

Table of Industrial stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and other consumer goods stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

INDEX-Linked

Table of Index-Linked funds with columns for High/Low, Stock, Price, Dividend, and Yield.

INT. BANK AND O'SEAS

Table of International Bank and Overseas stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

CORPORATION LOANS

Table of Corporation Loans with columns for High/Low, Stock, Price, Dividend, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for High/Low, Stock, Price, Dividend, and Yield.

LOANS

Table of Loans with columns for High/Low, Stock, Price, Dividend, and Yield.

AMERICANS

Table of American Stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

DRAPERY AND STORES

Table of Drapery and Stores stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks with columns for High/Low, Stock, Price, Dividend, and Yield.

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LONDON STOCK EXCHANGE

Leading shares extend recovery from Tuesday's low points

Account Dealing Dates
*First Declared Last Account Dealings from Dealings Day

Confidence continued to rebuild in London yesterday and at the end of another good market session...

Investors were seemingly unperturbed by postponement of lower interest rates worldwide. Overseas reports suggested that both Japan and the US were in no hurry to reduce their respective discount rates...

Encouraging corporate profits statements were another tonic for the market. From 2:30 an announced impressive preliminary figures well above the highest forecast by market analysts...

Clearing banks up
Apart from the interest surrounding the Standard Chartered, the banking sector staged a broad-based recovery after several days in the doldrums. Demand for the major

clearers was boosted to a certain extent by several brokers circling with Barclays rising 9 to 52 1/2p and Midland and NatWest rising 7 1/2p to 54 1/2p and 51 1/2p respectively...

Of the two newcomers to the US-market property developer Shield Group made a sparkling debut on the day...

Belhaven, the Dunbar-based brewer, attracted a number of speculative bids before settling only 3 to the good on balance at 89p...

Among the Electrical leaders, Howden led the way, up 1 1/2p to 49 1/2p, followed by Wiggins, the subject of a favourable press mention earlier in the week, attracted "new time" demand and rose 1 1/2p to 10 1/2p.

FINANCIAL TIMES STOCK INDICES
Table with columns for Date, Index, and various stock categories like Government Secs, Fixed Interest, Gold Mines, etc.

London Report and Latest Share Index: TEL: 61-246 8626

Rails Industries added 4 to 82p but subsequently drifted back to close 4 higher on balance at 206p.

Among Hotels, Grand Metropolitan drifted back 5 to 393p, but Ladbrokes were well supported and touched 385p before closing 4 1/2p higher at 389 1/2p.

Pentland incs good
Leading miscellaneous industrialized maintained the previous day's firmness in the Bux gains were usually limited to a few pence.

Oil majors put on another creditable performance and managed to record minor gains despite continuing concern about the trend in North Sea oil prices...

Secondary Oils were usually a few pence easier but exceptions included Charterhall, 2 1/2p firmer at 50p, and Ireland's Century Petroleum and Natural Resources, which jumped 15 to 150p...

Light support was forthcoming for leading Properties, coming from leading Properties, coming from leading Properties...

NEW HIGHS AND LOWS FOR 1986
Table listing new highs and lows for various companies in 1986.

BASE LENDING RATES
Table showing base lending rates for various banks and financial institutions.

rights issue to partly finance the deal. Egerton Trust were finally 4 up at 11 1/2p, following the interim results and news of a proposed rights issue and a placing of convertible preference shares.

Oil majors put on another creditable performance and managed to record minor gains despite continuing concern about the trend in North Sea oil prices...

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Table listing new highs and lows for various companies in 1986.

BASE LENDING RATES
Table showing base lending rates for various banks and financial institutions.

EUROPEAN OPTIONS EXCHANGE
Table showing European options exchange data for various currencies and options.

TRADITIONAL OPTIONS
Table showing traditional options data for various companies and options.

YESTERDAY'S ACTIVE STOCKS
Table showing yesterday's active stocks and their price changes.

WEDNESDAY'S ACTIVE STOCKS
Table showing Wednesday's active stocks and their price changes.

RISES AND FALLS YESTERDAY
Table showing rises and falls in stock prices yesterday.

FT-ACTUARIES SHARE INDICES
Table showing FT-actuaries share indices for various equity groups and sub-sections.

FIXED INTEREST
Table showing fixed interest rates for various terms and instruments.

NEW HIGHS AND LOWS FOR 1986
Table listing new highs and lows for various companies in 1986.

BASE LENDING RATES
Table showing base lending rates for various banks and financial institutions.

LONDON TRADED OPTIONS
Table showing London traded options data for various currencies and options.

TRADITIONAL OPTIONS
Table showing traditional options data for various companies and options.

YESTERDAY'S ACTIVE STOCKS
Table showing yesterday's active stocks and their price changes.

7 Five year, 10 year, 15 year, 20 year, 25 year, 30 year, 35 year, 40 year, 45 year, 50 year, 55 year, 60 year, 65 year, 70 year, 75 year, 80 year, 85 year, 90 year, 95 year, 100 year.

WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Canada, Denmark, Italy, France, Netherlands, and Switzerland. Columns include country, date, price, and change.

CANADA

Table of Canadian stock markets including Toronto and Montreal. Columns include stock name, price, and change.

INDICES

Table of various stock indices including New York, Singapore, and others. Columns include index name, date, and value.

OVER-THE-COUNTER

Table of over-the-counter stock prices for various companies. Columns include stock name, price, and change.

NEW YORK

Table of New York stock market activity including volume, high, low, and close prices.

INDICES

Table of various stock indices including New York, Singapore, and others. Columns include index name, date, and value.

CONTINUED FROM PAGE 38

Table of stock prices and market data including NYSE Consolidated 1500 Actives and NYSE All Common.

CONTINUED FROM PAGE 38

Table of stock prices and market data including NYSE Consolidated 1500 Actives and NYSE All Common.

LONDON

Table of London stock market activity including various stock prices and changes.

SINGAPORE

SPORADIC BUYING alternated with some profit-taking in quiet Singapore activity and the Straits Times Industrial index closed 0.63 lower at 721.98.

AUSTRALIA

INVESTORS turned bullish in Sydney where prices closed higher in this trading as the market underwent a technical correction after two weeks of heavy selling.

COPENHAGEN/GOTHENBURG/MALMO/OSLO/STAVANGAR/STOCKHOLM

Table of Scandinavian stock market activity including various stock prices and changes.

SOUTH AFRICA

GOLD PRICES drifted lower on a broad front in Johannesburg as the bullion price failed to recover the \$350 an ounce level.

CANADA

AN EARLY ADVANCE in step with Wall Street saw Toronto later turn mixed in active trading.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, July 10

Main table containing stock prices for various companies, organized in columns with headers like '12 Month High', 'Low', 'Stock', 'Dr.', 'Yr.', 'P/E', 'Div.', 'Yield', 'High', 'Low', 'Open', 'Close', 'Change', 'Volume', 'Bid', 'Ask', 'Last Sale'.

Continued from Page 36

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Prices at 3pm, July 10

Table of NYSE Composite Prices with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'Continued on Page 37' and 'High Low Stock P S High Low Change'.

Table of AMEX Composite Prices with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change' and 'Over-the-Counter'.

Table of NYSE Composite Prices (continued) with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change'.

Table of AMEX Composite Prices (continued) with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change'.

Table of NYSE Composite Prices (continued) with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change'.

Table of AMEX Composite Prices (continued) with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change'.

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Table of AMEX Composite Prices (continued) with columns for Stock, P, S, High, Low, and Change. Includes sub-sections like 'High Low Stock P S High Low Change'.

FINANCIAL TIMES

WORLD STOCK MARKETS

Financial Times Saturday July 11 1988

Financial Times Friday July 11 1988

38

WALL STREET

Early rally overcome by nerves

A SUSPICION that the sharp technical correction suffered earlier this week had not yet run its course reversed an early rally on Wall Street yesterday, writes Paul Hannon in New York.

The prospects of a discount-rate cut, real or imagined, galvanised sentiment only briefly in the bond market where key issues traded up to 1/2 point lower.

The stock market concentrated on the trickle of corporate trading statements and further takeover developments but still countenanced the real possibility that the Federal Reserve would act, if necessary independently of Japan or West Germany, on rates.

At 3pm the Dow Jones industrial average was down 3.94 at 1,822.13.

American blue chips IBM dropped \$3 to \$141. General Electric fell \$7 to \$75.75 despite higher results, Merck lost 1 1/4 to \$98.4 and Minnesota Mining retreated \$2 1/4 to \$106.

Lockheed featured early with a \$3 drop to \$52 1/4 in swift response to the aerospace group's disclosure after Wednesday's close that it had agreed to take

over the besieged Sanders Associates defence group, which jumped \$4 to \$61 in heavy trading. Loral, an unsuccessful suitor of Sanders, firmed \$2 1/2 to \$48. Raytheon shed 3/4 to \$60.4 despite higher second-quarter results.

Consumer-related stocks continued to attract heavy trading with the stores sector much in evidence. Sears Roebuck fell 5/8 to \$43 1/8 in further response to its intention to make a 10m share secondary offering.

Safeway, the most active stock on Wednesday, lost \$4 to \$58 in large volume following results and the \$58 a share bid - worth \$3.54bn - from Dart Group.

Kmart, the discount store group, lost an early \$3 to \$52.4 despite announcing an 8.7 per cent sales gain for June.

Coca-Cola retreated an early \$3 to \$40.7 after revealing that its chief marketing strategist - the man behind the successful "Coke is it" campaign - was leaving to join a private investor group.

Sherwin-Williams, the largest US paint maker, jumped \$3 to \$27 1/2 on plans to sell its Gray Drug Far business. Bernard Chaus, the newly listed women's clothing group, advanced a further \$1 1/4 to \$24 1/4 in continued heavy trading.

American Brands, which jumped \$8 on Wednesday on rekindled takeover speculation, added another \$1 1/4 to \$104.

Sun Chemical, also strong in the previous session after recapitalisation plans, retreated \$1 1/4 to \$74.

At \$113, Squibb gave up 1/4 of Wednesday's \$8 gain attributed to the drug

makers' decision to spin off its medical electronics unit. Abbott Laboratories, active in recent sessions, slipped \$1 to \$50 on improved second-quarter figures.

Du Pont traded \$4 higher to \$78 1/8 after a federal agency ruled that it had violated age-discrimination laws last year with an early retirement plan for 12,000 workers.

Among airlines Pan Am held steady at \$6 3/4 after three sessions of heavy trading. Texas A' slipped \$4 to \$31 1/4 in response to transportation department conditions on its proposed takeover of Eastern, which was unchanged at \$9 1/4.

In the bond market, prices gave up most of the early gains despite the continued hopes of a cut in the discount rate.

The key long bond, the 7 1/4 due in 2016, opened with a 1/2 rise but later traded 1/4 down at 101 1/2 to yield 7.15 per cent.

Three-month Treasury bill rates gained one basis point to 5.88 per cent while six-month rates firmed 3 basis points to 5.91 per cent.

TOKYO High volume fails to halt downturn

DESPITE UNUSUALLY active trading in low-priced, large-capital issues, prices slipped further in Tokyo yesterday as if the market as a whole had entered a "corrective phase," writes Shigeo Nishiwaki of Fuji Press.

Trading in low-priced, big-capital stocks was largely confined to Nippon Steel, Nippon Kokan, Ishikawajima-Harima Heavy Industries, and some issues in the chemical and electric power sectors.

The 10 most active stocks accounted for more than half the trading volume. Leading construction and real estate issues also attracted buyers, but blue chips and biotechnology-related issues were neglected.

The Nikkei stock average lost 36.29 to 17,499.82. Volume rose sharply from Wednesday's 1.28bn to 1.68bn shares, the second-largest following the all-time high of 1.93bn shares reached on March 27. Losers outpaced gainers by 516 to 367, with 109 issues unchanged.

Cash-rich institutional investors and corporations continued dealing with stocks to earn capital gains, as did individuals who recently entered the market, in the face of sharply rising share prices.

The list of 10 most active stocks, which was covered entirely by low-priced, big-capital issues, accounted for a sizable 63.2 per cent of total market turnover.

Nippon Steel topped the list with 212.72m shares, gaining Y5 to Y192. Nippon Kokan came second with 188.93m shares and added Y11 to Y218, with Kawasaki Steel third at 185.99m shares, firming Y9 to Y198.

Ishikawajima-Harima Heavy Industries ranked fourth with 157.57m shares, gaining Y19 to Y370. Among other active stocks Toyoko Gas climbed Y20 to Y543, Mitsui Toatsu Chemicals Y25 to Y425 and Kawasaki Kisen Y21 to Y242.

The rising prices of these low-priced, large-capital issues left domestic demand-oriented issues relatively cheap, prompting many investors to buy them in the absence of incentives.

Among leading domestic demand stocks spotlighted in the afternoon, Mitsubishi Estate, a major hidden-asset issue, gained Y110 to Y2,150 and Mitsui Real Estate Development Y120 to Y1,970.

In the group of public works-related stocks, Kajima added Y28 to Y907 and Ohbayashi Y18 to Y710. In the electrical construction sector Kandenko climbed Y20 to Y4,190 and Kinki Electrical Construction Y140 to Y3,170.

Elsewhere, Kyokuiyo rose Y43 to Y579 on rumours of cornering, but Nippon Suisan, which had advanced in sympathy, lost Y20 to Y560.

Among the blue chips to ease, NEC shed Y10 to Y1,320 and Toyota Motor Y20 to Y1,410.

The bond market opened firm and strengthened in the morning as bond prices performed well in New York on prospects of an imminent cut in the US Federal Reserve discount rate but levelled off in the afternoon.

The yield on the bellwether 6.2 per cent government bond due in July 1995 slipped to 4.885 per cent from Wednesday's 4.710 per cent, but the pace of decline in bond yields was unexpectedly slow. The yield on the quasi-benchmark 5.1 per cent government bond due in June 1996 rose to 5.000 per cent from Wednesday's 4.990.

Investment funds were diverted to non-barometer issues, pushing the yield on the 6.8 per cent government bond due in December 1994 down to 5.280 per cent from Wednesday's 5.351 per cent.

EUROPE Foreigners seek out bargains

FOREIGN BUYERS were the most significant factor in the major European bourses yesterday, seeking out low-priced issues across the board.

Frankfurt again climbed higher on active buying from Swiss and British institutions. Car and banking stocks were the most popular.

Daimler advanced DM 37 to DM 1,305, ex-dividend, higher sales at its Audi unit helped VW climb DM 21.20 higher to DM 479.10 after hitting a low for the year on Monday, and BMW was steady at DM 567.

Porsche, however, hurt by the dollar's effect on vital US sales, shed DM 8 taking it back to its year-low of DM 995.

Banks were again stronger. Bayer Hypothek firm DM 6.50 to DM 664.50 and Commerzbank ended at DM 298 after a rise of DM 5.50. Dresdner, which has fallen all week, picked up DM 10.50 to DM 408.50 on foreign interest.

The Government's plan to sell its remaining stake in Vebe, the energy, chemicals and trading group, has been favourably received by investors, the group's chairman said at a meeting yesterday. He also announced that first-half profits were at the same level for the first six months last year. Vebe edged DM 1.50 higher to DM 283.50 on this news after hitting record lows earlier this week.

In chemicals, both Hoechst and BASF rose from lows of the year. The former added DM 7.20 to DM 258.30 and the latter DM 6.80 to DM 254.30. BASF chairman, Mr Hans Albers, who is also president of the West German chemical industry federation VCI, told a press conference that industry sales were down 5 per cent for the first half of 1988 and said he expected the industry to stagnate at the higher levels of the past three years.

Despite increased interest in the share market, foreign investors shunned the bond market, and prices ended a quiet bourse mixed, with gains of around 15 basis points and losses of about 20 basis points.

The Government's new 5 1/2 per cent 10

year loan stock, priced at 99.75 from which it hopes to raise DM 4bn, found the going difficult and was quoted at an initial bid price less 1 1/4 and offer less 1/2.

The earlier 5 1/2 per cent 1996 loan stock was unchanged at 99.65 while the 6 per cent 2016 was also steady at 98.50.

The Bundesbank sold DM 20.3m worth of domestic paper after buying a substantial DM 177.8m on Wednesday.

Paris was not discouraged by a rise of 1/4 of a percentage point in the call money rate to 7 1/4 per cent as foreign investors again injected enthusiasm into the market.

Générale de Fonderie continued its erratic performance, jumping 12 per cent to FFR 28, while Dumez reached a high for the year of FFR 1,495 after a rise of FFR 94 and Legrand hit a peak of FFR 4,200, up FFR 16.

With continuing trouble for oil prices, Elf Aquitaine faded by FFR 1 to FFR 285, and Carrefour also turned lower, dropping FFR 47 to FFR 3,203 ex-scrip on profit-taking.

New car registrations rose 4.6 per cent in the first half of 1988. In that sector Peugeot shed FFR 17 to FFR 971 while in associated companies Michelin added FFR 50 to FFR 3,100 and Valéo gained FFR 3.50 to FFR 498.50.

Amsterdam benefited from news of the Dutch government accord and indications from the Nederlandsche Bank that there was room for easier Dutch interest rates in the short term.

British buyers sought publishers, pushing Elsevier up FFR 3.50 to FFR 216, and Buehrmann-Tetzlode, which is in talks to buy a West German paper company, rose FFR 1.50 to FFR 216.50. The US-EEC steel products agreement helped Hoogovens, which added 20 cents to FFR 112.40 after reaching FFR 112.50 earlier in the session.

Bond prices were slightly above Wednesday's levels where changed.

Milan was higher as trading centred on Montedison, which announced plans for a major capital increase and approval by its board to buy Fermenta, the Swedish biotechnology group. After slipping in early trade, Montedison ended L5 up at L3,505.

Olivetti, which plans to set up a new personal computer company, gained L110 to L16,800, and demand again centred on Fiat, which rose L280 to L13,530.

Stockholm moved higher on a technical reaction to three lower sessions and on hopes that interest rates would fall.

Fermenta added SKr 2 to SKr 159, and Volvo put on SKr 4 to SKr 391.

Zurich ended mixed, notably lacking the same degree of foreign interest elsewhere in Europe.

Swissair bounced back after falling on Wednesday to end up SFr 100 at SFr 1,420. UBS was steady at SFr 5,730 and Zurich Re slipped SFr 50 to SFr 7,400.

Bonds were little changed, but the bit as was firmer.

Brussels was dull, with most prices remaining at their previous day's levels, and activity slowed ahead of a holiday in Flanders today.

Chemical group Solvay added BFr 20 to BFr 7,610 after hitting a low of SFr 7,540 on Wednesday while Petrofina, Belgium's largest industrial, lost some of its previous day's gain to end BFr 60 lower at BFr 8,700.

Madrid eased after a series of higher sessions.

LONDON Confidence rebuilding continues

LITTLE TRACE of Tuesday's uncertain tone remained in London yesterday as confidence continued to increase. The FTSE 100 share index closed 12 1/2 up at 1,528.7 to regain most of its recent points-fall of 32 on Tuesday. The FT ordinary index closed 12.5 higher at 1,344.0.

The postponement of lower interest rates worldwide left investors seemingly unperturbed. The UK institutions bought a wide range of stocks and sold few issues.

Encouraging corporate profits provided another tonic for the market. Thorn EMI announced impressive preliminary figures well above the highest forecasts and closed a net 29p higher at 487p.

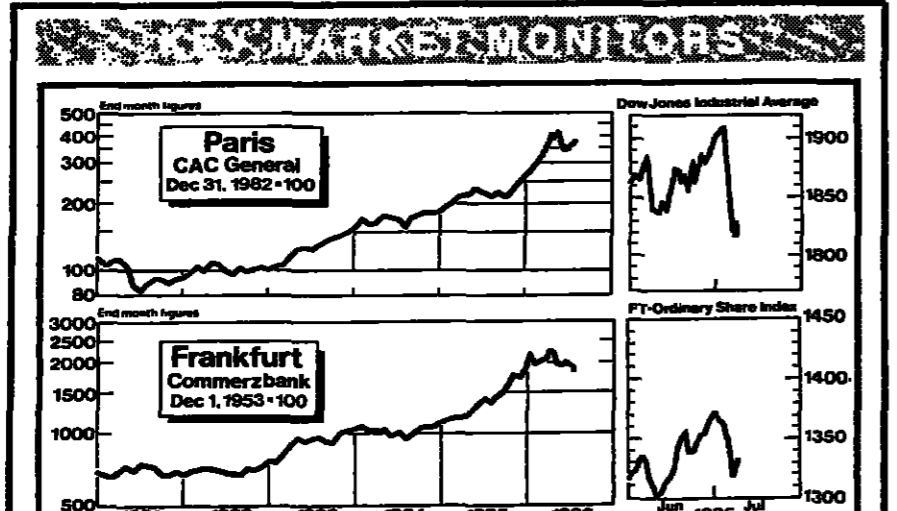
British Telecom continued to recover from its weakness earlier in the week and settled up 4p at 209p.

The financial sector was preoccupied with developments over Lloyds Bank's bid for Standard Chartered which left Lloyds 15p higher at 419p and Standard down 27p at 775p.

GIBs were unaffected initially by the possibility of a delay in the trend towards cheaper money, but prices dipped sharply later.

Chief price changes, Page 35; Details, Share information service, Pages 32-33

Continued on Page 35



STOCK MARKET INDICES

	July 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,822.13	1,826.07	1,322.98
DJ Transport	751.75	750.00	669.12
DJ Utilities	200.32	199.00	167.42
S&P Composite	241.73	242.82	192.37
LONDON			
FT Ord	1,340.6	1,331.5	934.4
FT-SE 100	1,626.7	1,614.6	1,230.4
FT-A All-share	905.63	799.80	597.79
FT-A 500	883.79	877.29	649.03
FT Gold mines	203.6	202.4	401.4
FT-A Long gilt	9.35	9.32	10.44
TOKYO			
Nikkei	17,499.82	17,506.1	13,012.1
TOYO SE	1,368.85	1,365.47	1,057.56
AUSTRALIA			
All Ord.	1,134.1	1,122.3	906.0
Metals & Mins.	503.9	495.2	523.7
AUSTRIA			
Credit Aktien	240.02	238.09	97.77
BELGIUM			
Belgen SE	3,703.41	3,706.30	2,330.34
CANADA			
Toronto			
Metals & Mins	1,999.5	1,999.2	1,855
Composite	3,007.0	3,013.1	2,736.1
Montreal			
Portfolio	1,509.80	1,518.81	1,343.53
DENMARK			
SE	212.70	213.63	209.30
FRANCE			
CAC Gen	372.30	368.2	216.2
Ind. Tendence	142.40	143.3	79.7
WEST GERMANY			
FAZ-Alken	617.47	603.13	471.57
Commerzbank	1,859.80	1,827.9	1,376.6
HONG KONG			
Hang Seng	1,178.30	1,147.61	1,573.41
ITALY			
Banca Comm.	705.64	703.68	344.79
NETHERLANDS			
ANP-CBS Gen	292.90	290.3	215.1
ANP-CBS Ind	291.30	289.1	181.3
NORWAY			
Oslø SE	357.60	349.42	321.46
SINGAPORE			
Straits Times	721.98	722.61	745.03
SOUTH AFRICA			
JSE Golds	1,239.6	988.8	
JSE Industrials	1,195.0	1,855	
SPAIN			
Madrid SE	174.12	174.42	81.71
SWEDEN			
J & P	2,479.91	2,462.58	1,299.23
SWITZERLAND			
Swiss Bank Ind	543.30	545.3	458.3
WORLD			
MS Capital Int'l	323.7	324.7	219.7

COMMODITIES

	July 10	Prev
(London)		
Silver (spot fixing)	332.30p	334.30p
Copper (cash)	£884.50	£873.75
Coffee (September)	£1,678.00	£1,630.00
Oil (Brent blend)	\$9.70	\$9.50
GOLD (per ounce)		
(London)		
July 10	Prev	
London	\$347.25	\$347.75
Zurich	\$346.90	\$348.25
Paris (fixing)	\$348.21	\$348.99
Luxembourg	\$348.25	\$351.00
New York (Aug)	\$348.60	\$349.70

CURRENCIES

	July 10	Previous	July 10	Previous
US DOLLAR				
(London)				
\$	1.7445	1.5165	1.5280	
DM	2.1745	2.1830	3.2975	3.3325
Yen	180.35	180.85	243.25	245.50
FFr	6.9726	6.9975	10.5825	10.6775
SFR	1.7775	1.7955	2.9550	2.7250
Schiller	2.4490	2.4580	3.7150	3.7525
Lira	1.492	1.499	2.2825	2.2825
BT	44.75	44.85	67.85	68.45
CS	1.3775	1.3805	2.0885	2.1070
INTEREST RATES				
Euro-currencies (3-month offered rate)				
\$	10%	10%	10%	10%
DM	4%	4%	4%	4%
FFr	4%	4%	4%	4%
Yen	7%	7%	7%	7%
US Fed Funds				
3-month	6%	6%	6%	6%
6-month	6%	6%	6%	6%
9-month	6%	6%	6%	6%
12-month	6%	6%	6%	6%
US 3-month CDs				
	6.40%	6.45%		
US 3-month T-bills				
	5.845%	5.85%		

US BONDS

	July 10	Prev	Yield	Prev	Yield
7% 1988	100 1/2	6/23	100 1/2	6/24	6/24
7% 1989	99 3/4	7/27	99 3/4	7/26	7/26
7% 1990	100 1/4	7/28	100 1/4	7/28	7/28
7% 2016	101	7/17	101 1/4	7/18	7/18

Source: Harris Trust Savings Bank

TREASURY INDEX

Maturity (years)	Return index	July 10	Day's change	Yield	Day's change
1-3	153.71	+0.19	7.32	-0.02	
1-10	145.80	+0.10	7.14	-0.02	
1-30	137.02	+0.11	6.82	-0.04	
3-5	147.74	+0.09	7.33	-0.01	
15-30	182.18	+0.56	7.91	-0.03	

Source: Merrill Lynch

FINANCIAL FUTURES

Contract	July 10	Prev	Yield	Prev	Yield
AT & T					
3% July 1990	92 1/4	92 1/8	92 1/4	92 1/8	92 1/8
3% July 1991	92 1/2	92 1/8	92 1/2	92 1/8	92 1/8
10% Jan 1993	106 1/4	95 1/8	106 1/4	95 1/8	95 1/8
Philbro-Sal					
8 April 1986	98.327	92.25	98.327	92.25	92.25
TRW					
8% March 1986	102.6	8.35	-	-	-
Arco					
9% March 2016	104 1/4	9.42	104 1/4	9.42	9.42
General Motors					
8% April 2016	92 1/2	8.84	92 1/2	8.84	8.84
Citicorp					
9% March 2016	97 3/8	9.60	97 3/8	9.60	9.60

Source: Salomon Brothers

HONG KONG

HEAVY INSTITUTIONAL selling in Hong Kong sent share prices sharply lower, and the Hang Seng index lost 29.31 to 1,718.30.

Brokers said overseas fund managers were discouraged by the sluggish tone of the market and began unloading their holdings.

Cheung Kong fell 50 cents to HK\$ 20.10, China Light 20 cents to HK\$15.00 and HK Land 15 cents to HK\$5.65.

HK China Gas dropped 20 cents to HK\$15.30 and Hutchison Whampoa 60 cents to HK\$28.10, but HK Electric held steady at HK\$8.75.

"If our nascent and fragile democratic institutions are denied a strong economic underpinning they will certainly give way to tyranny." - G. W. H. Reilly

Abridgement of the annual statement by Mr G. W. H. Reilly, Chairman of Anglo American Corporation of South Africa Limited.

Attributable earnings of the Corporation, excluding retained earnings of associated companies, increased by 35 per cent to R313 million, or 536 cents a share. In the year to March 31 1988, equity-accounted earnings increased similarly to R194 million, or 523 cents a share. These results are primarily the outcome of substantial increases in earnings from our investments in gold, diamonds, coal, platinum and other minerals which, with their strong export bias, more than offset the normalisation of earnings from our industrial interests. The total dividend of the Corporation amounted to 180 cents a share, an improvement of 33 per cent on the previous year.

Political developments

The continuing turmoil in our society has had - as many participants intended that it should have - a significant adverse effect upon South Africa's fortunes, and we are all the poorer for that. Yet the process of change has continued. The State President has kept to his commitment to press ahead with his reform programme, notably by repealing the pass laws and a system of influx control. Repeal removes one of the principal pillars of apartheid, demolishes some of the barriers between richer urban insiders and poorer rural outsiders. They constitute a major step towards the abolition of statutory apartheid and the normalisation of our society.

The latest moves, however, have failed to impress large sections of the black South African community or of international opinion. In particular, many black leaders are refusing to participate in the interim political structures proposed by the government as a means of reaching the objective to which President Botha committed the National Party in his speech at the opening of Parliament, namely the negotiation with black leaders of a new constitution on the basis of an undivided Republic of South Africa, a universal franchise and one citizenship for all. Their refusal is to be explained partly by their bitterness at being excluded from the 1984 constitution, which accentuated feelings of suspicion, cynicism and impatience. Among the international community, where lack of trust and criticism also prevail, appreciation of what the State President has achieved tends to be further inhibited by a simplistic view of our problems.

The over-riding reason, however, for the reluctance of black people to participate in the reform process, and of the international community to endorse it, is that it fails to take account of the now widespread belief that the right of political participation has to be extended to all South Africans before interim constitutional discussions or negotiations can get under way. This belief, which is supported by the principal institutions of South African business, applies as much to the proposed new structures of government at the local, regional and provincial level as at the national level. Whatever improvements are made to their form, these structures will still have problems in establishing their legitimacy, and hence in attracting the participation of credible black leaders, until political prisoners and proscribed organisations are free to participate in political affairs.

That course carries the risk of a further escalation of violence. But there is no course open to South Africa which does not involve risk. The least dangerous, I am convinced, is to confront the issue of politically motivated violence by opening up the opportunities for direct political action. There is encouraging evidence that if this were done, the majority of South Africans would wish to take part in the political process on a democratic basis, and would favour negotiation rather than violence.

A failure of nerve at this juncture will lead to a calamitous situation of political deadlock, with the economy sliding towards a state of siege as the initiative passes to the men of violence and the international pressures to change us or isolate us steadily increase.

It is difficult to avoid the conclusion that the piecemeal approach to reform, whatever virtues it may once have had in terms of electoral expediency, has reached the limit of its usefulness. I believe that the unbanning of political parties and the freeing of political prisoners will not be sufficient to get the constitutional negotiations properly under way, nor to minimise the threat of further sanctions. The residual elements of apartheid as well must be expunged from the statute book. I

Business community's concern

The interdependence of economics and politics in South Africa has never been more apparent, nor more unyielding. Even if we could resume a satisfactory rate of economic growth, it would prove short-lived in the absence of political stability; and the new South Africa could offer its citizens improving standards of living. The business community has found it necessary to concern itself increasingly in matters of public policy, to help create conditions in which economic and political progress can go hand-in-hand. That, surely, is a goal that unites us all.

Anglo American Corporation of South Africa Limited

Incorporated in the Republic of South Africa
Registration No.